



Empowering the underdog: Soft power in the development of collective institutional entrepreneurship in business markets



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ABSTRACT

This paper develops a soft power model to enable non-elite institutional entrepreneurs to fundamentally reshape their field. Based on a Judo strategy framework, this model integrates previously suggested soft power tactics into a coherent set of principles. More specifically, it explains how previous soft power insights adhere to underlying principles of movement, balance and leverage. Structured according to these principles, this paper theorizes how soft power strategies can be a sufficient condition to overcome the embedded agency and mobilization problems of collective institutional entrepreneurship. The applicability is furthermore illustrated with a case of an institutional entrepreneurship initiative in the Dutch electro-technical installation industry. As such, the paper informs an undertheorized scenario of institutional entrepreneurship which we argue is more relevant for business markets than hard power approaches.

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1. Introduction

“When able to attack, we must seem unable; when using our forces, we must seem inactive; when we are near, we must make the enemy believe we are far away; when far away, we must make him believe we are near.” – Sun Tzu

Business markets frequently require change as they are exposed to technological developments and demand shifts. Yet, at the same time they are often marked by substantial power asymmetry (Turnbull, Ford, & Cunningham, 1996) or dominant logics and norms (Van Bockhaven, Matthyssens, & Vandenbempt, 2013). These block autopoietic change (O'Connor, 2008) in the field while embedded actors or external pressures might demand it (Greenwood & Hinings, 1996). This explains why a recent business marketing executives' survey reported *“that the status quo in their industries or companies was not sustainable, which meant a need for transformational change”*

(Wiersema, 2013, p. 472), while at the same time respondents were ambivalent about how to address this ‘creative destruction’ challenge.

Such a process would be a herculean feat of institutional entrepreneurship as actors reconfigure field structures that actually shape and embed them (Seo & Creed, 2002). Therefore, affecting an entire field becomes a collective endeavour (Weik, 2011). Collective institutional entrepreneurship (CIE) additionally implies an internal challenge to mobilize collective action, which has been addressed with hard power tactics by Wijen and Ansari (2007). Whereas their model applies to elites, there is less systematic theorizing of the power dynamics in CIE by peripheral actors which lack the position to impose hard power (Maguire, Hardy, & Lawrence, 2004). This is peculiar as we will argue that this model is for many purposes and – especially business – contexts preferable over a dominance approach. Hence, this paper seeks to answer *what are alternative drivers of collective institutional entrepreneurship when initiating actors do not have clear dominance over others?*

Thus, we theorize an alternative ‘soft power’-path enabling CIE by non-dominant yet nonetheless embedded actors. To this end, the literature review first explores why power is essential in CIE and what is known about power in different modes of CIE. Then, we argue that the current emphasis on hard power creates problems of applicability, sustainability and incongruence which limit its relevance for the networked context of many business markets. We then put forward the *Judo strategy* framework (Yoffie & Cusumano, 1999) to connect

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extant soft power theorizing to the challenges associated with CIE. We illustrate this conceptually developed integrative framework's applicability with a case in the Dutch electro-technical installation (ETI) industry.

The paper contributes to extant literature in three ways. The framework extends power literature with drivers for transformational change that allow truly collaborative CIE. Based in non-mediated, non-punitive³ power (Ke, Liu, Wei, Gu, & Chen, 2009; Kumar, Scheer, & Steenkamp, 1998; Scheer & Stern, 1992), this process *aligns* rather than enforces interests and is hence more sustainable in business markets which thrive on trust and reciprocity. Such enquiry might expand the relevance of power to value co-creation literature which typically eschews power narratives. To the study of institutional entrepreneurship the paper contributes an approach for the simultaneous embedded agency and collective action challenges when boundaries are redefined by non-elites. Findings illustrate a combination of social capital, assimilation and 'borrowed' power in institutional work.

1.1. Collective institutional entrepreneurship: toward a soft power framework

Institutional entrepreneurship targets entire fields, the overall network, cultural-cognitive systems, organizational archetypes and collective action repertoires of organizations which are in the aggregate involved in the production of similar products and services (DiMaggio & Powell, 1983; Scott, 2008). Drenched in a boundary logic of power and conflict (Fligstein, 1997; Santos & Eisenhardt, 2009), institutional entrepreneurship occurs in one of two paradoxical scenarios. Scenario 1 is initiated by elites with the power to do so, but who are deeply bound by cognitions, norms and regulations favouring existing institutions. The initiators have access to sources for direct control (Aplin & Hegarty, 1980) beforehand and need only apply them purposefully. Wijen and Ansari theorize this scenario via concentration and positional dominance "to dictate the rules of the game and induce cooperation" (2007, p. 1084). For a business example, one could think of how Microsoft and Intel have shaped the personal computer market. While clearly suggesting an effective approach to tackle the collective action problem, this scenario is restricted to elite institutional entrepreneurship in concentrated markets.

Scenario 2 is initiated by peripheral actors with the motivation, but not the power to enact change (Maguire et al., 2004). These actors by necessity act collectively. An example of this process is found in recent pushes for personalized medicine by interest groups representing the diagnostics industry, medical professionals and patient organizations. These disparate actors combine forces in a fragmented stakeholder environment to change bottom-up how health care is delivered and financed. Theorizing scenario 2 is more challenging from a power perspective as power first needs to be acquired and as initiators' lack of dominance increases dependency on the actions of others. So Section 2.1 details why power is essential in CIE to address the internal and external challenges of respectively mobilization and effectuating change in the field. The boundary conditions to dominance approaches, which motivate a softer approach, are derived in Section 2.2. Section 2.3 builds on a *Judo strategy* framework (Yoffie & Cusumano, 1999) to integrate dispersed theorizing about non-aggressive power strategies from micro-economics (Gelman & Salop, 1983), strategic marketing (Drucker, 1985) and soft-power tactics (Santos & Eisenhardt, 2009). In concert, these insights enable challengers to secure a market position alongside incumbents "who have size, strength and history on their side" (Yoffie & Kwak, 2001). The final step in theorizing a holistic alternative to the elite CIE model (Section 2.4) reviews how the framework

addresses internal and external power needs over the collective action stages identified by Kim and Bearman (1997).

1.2. Collective institutional entrepreneurship and needs for power

Reacting to the deterministic nature of 'new' institutional theory, neoinstitutionalists originally defined institutional entrepreneurship as institutional innovation by embedded actors with an interest and access to the – mainly social – resources to act (DiMaggio, 1988; Kim & Bearman, 1997). The concept tries to explain the structure-agency dynamics of change which transform a field's practices and boundaries (Zietsma & Lawrence, 2010). This phenomenon has relevance beyond the confines of institutional theorizing, thus attracting scholarship from sociological, economic, management, law, organizational behaviour and information systems outlets to call a few. The concept's wide diffusion, in combination with institutional theory's limited facilities to explain the micro-level processes of institutional innovation (Greenwood & Hinings, 1996), led to a naïve focus on single entrepreneurs with tremendous causal powers (Weik, 2011). The literature overlooks the collective aspects and focuses on solving the embedded agency problem of changing a field while constrained and shaped by its deep structures (Scott, 2008; Seo & Creed, 2002). Non-elite actors' outside-track to institutional entrepreneurship would, however, be hard to theorize without collective agency. These actors unite in issue-based networks (Araujo & Brito, 1998) to tackle a complex problem which affects and is affected by various (business and other) stakeholders. Like a movement, this intermediate agency structure gathers resources and resonance (Benford & Snow, 2000) to pursue a collective goal. Given this growth-oriented purpose, the composition evolves from an initiating entity over a critical mass and eventually populates an emergent field (Kim & Bearman, 1997). Being a moving target, we further speak of 'the initiative' in the case, rather than of a static configuration at any of the three levels of magnitude above.

CIE, defined as "the process of overcoming collective inaction and achieving sustained collaboration among numerous dispersed actors to create new institutions or transform existing ones" (Wijen & Ansari, 2007, p. 1079), thus attempts to solve the collective action mobilization problem. Although collective action implies a shared interest (Oliver, 1993), it increases the difficulty of achieving market-level change. Not only would economic rationality make individuals withhold their participation in collective action (Olson, 1965), change initiated outside the dominant coalition also causes additional conflict (Zietsma & Lawrence, 2010). Hence, there is a salient need for power due to the embedded agency and the collective action problems. The former is outcome- and structure-related: how can actors achieve an innovation that disrupts the cognitive, normative and regulative schemata of the field in which their network is embedded (Scott, 2008; Seo & Creed, 2002)? The latter relates to behaviour and social repertoires: motivating actors to look beyond short-term interests and develop collaborative rules and routines within the emerging network. So we consider these to be respectively external and internal challenges.

The external, supra-network, challenge involves constructing new boundaries to accommodate desired practices (Zietsma & Lawrence, 2010). The creation of these boundaries can be solved through both dominance (DiMaggio, 1988; Greenwood & Suddaby, 2006) and soft power (Maguire et al., 2004; Santos & Eisenhardt, 2009). The internal, intra-network, challenge involves overcoming inaction, sustaining collaboration and creating new institutions. This has been approached by means of 'hard' power, wielded coercively via concentration to reduce diversity of opinions, via dominance to induce participation and via central network oversight to counter free-riding (Wijen & Ansari, 2007). In this elite model of collective action the initiators enforce their will through control over outcomes desired by others (Coleman, 1973). We argue that the collective action problem can also be solved through a soft power approach under conditions where hard power is inadvisable.

³ Although there is debate as to whether (non-)punitive power includes reward power as well, here it is only used to emphasize that the challenger uses power (coerce merely as an inducement rather than a punishment).

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