Social entrepreneurship: Creating value in the context of institutional complexity

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ABSTRACT

Drawing on literature on institutional complexity and social movement and paradox theories, we examine the possibility for institutional complexity to provide opportunities for social entrepreneurship. Our ethnographic case study based on a social venture in India shows that institutional complexity manifests in forms of overlapping and/or contradictory institutional logics and provokes paradoxical tension. We identify four strategic responses to institutional complexity: appropriation, integration, differentiation, and working-through. These strategies enable reaching out to a broader range of stakeholders. In conclusion, we argue that institutional complexity can be resourceful in a dynamic process of social value creation.

1. Introduction

Research has highlighted the constraining effects of institutional complexity on the likelihood for social entrepreneurs to initiate societal change in emerging markets (Mair & Marti, 2009; Mair, Martí, & Ventresca, 2012; Muñoz & Kibler, 2016; Sud, VanSandt, & Baugous, 2009). Institutional complexity, defined as phenomenon when organizations are "confronted with incompatible prescriptions from multiple institutional logics" (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011, p. 318), is characterized by competing demands from a range of more or less formalized rules, social norms, or cultural scripts (Greenwood et al., 2011; Muñoz & Kibler, 2016). These multiple and at times contradictory institutional demands tend to restrict social entrepreneurial actions, and shape the strategies and structures the social venture deploys (Dorado & Ventresca, 2013; Gundry, Kickul, Griffiths, & Bacq, 2011; Khan, Munir, & Willmott, 2007; Mair et al., 2012; Muñoz & Kibler, 2016; Nicholls, 2010a; O'Neil & Ucbasaran, 2016).

Exploring conditions of institutional complexity, scholars have raised considerable doubts on the capacity for social entrepreneurship to identify and provide effective solutions to complex societal problems (Sud et al., 2009). For these authors, institutional complexity inevitably fosters internal tensions, raises concerns and constraints on resource mobilization, and promotes challenges of external legitimacy because of competing demands and logic incompatibility between the social venture and institutional prescriptions (Dacin, Dacin, & Matear, 2010;

Mair & Marti, 2009; McMullen, 2011; Muñoz & Kibler, 2016; Puffer, McCarthy, & Boisot, 2010; Sud et al., 2009).

What scholarship so far imparts is the perspective that institutional complexity is inherently constraining and hinders social entrepreneurship (Khan et al., 2007; Sud et al., 2009). However, work on social movement and paradox theories transcends institutional determinism (Czech, 2014; Glynn, 2008; King & Pearce, 2010; Rao & Giorgi, 2006; Rao, Morrill, & Zald, 2000; Schneiberg & Lounsbury, 2008). These neoinstitutional perspectives show that competing institutional logics are not merely constraints, but enabling constraints, and can be opportunities for societal change and new path creation (Czech, 2014; Schneiberg & Lounsbury, 2008).

In this paper, we contribute to the debate on the likelihood for social entrepreneurs to initiate societal change in emerging markets under conditions of institutional complexity. In particular, we propose to examine the enabling aspects of institutional complexity and the possibility for contradictory institutional logics to provide opportunities for social entrepreneurship. We question: How do conditions of institutional complexity manifest in the context of a social venture operating in an emerging market? What are the strategies developed by the social venture to create societal change under conditions of institutional complexity? What are the outcomes of institutional complexity?

We explore these questions in the context of a social venture based in southern India, named with the pseudonym Eco-Pads. Interviews with Eco-pads founders, employees, volunteers and consumers and the analysis of observation data including archival materials, promotional

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materials, websites, media coverage, and reports along with data on menstrual management practices in India show that institutional complexity can become resourceful in a dynamic process of value creation.

In the following discussion, we first review the literature on social entrepreneurship and institutional theory followed by a discussion on institutional complexity as enabling, deploying social movement and paradox theories. The methodology section provides details of the study. The findings are organized in two sections. In the first, we identify three manifestations of institutional complexity: overlapping institutional logics, contradictory institutional logics, and paradoxical complexity. In the second, we discuss four main strategic responses to institutional complexity: appropriation, integration, differentiation, and working-through. These strategies harness productive institutional complexity, which become resources in the amplification, extension, distinction, clarification, bridging and transformation of the social value proposition, as well as resources for social capital and social competencies creation.

2. Social entrepreneurship

Numerous definitions of social entrepreneurship exist, and all converge on the combination of entrepreneurship and social mission (Alvord, Brown, & Letts, 2004; Azmat, Ferdous, & Couchman, 2015; Dacin et al., 2010; Dees, 2001; Facca-Miess & Nicholas, 2014; Mair & Marti, 2009; Santos, 2012; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). For some, social entrepreneurship focuses on the generation of earned income in the pursuit of social good (Dart, 2004). Others provide a more progressive view of social entrepreneurship as agents of change in the social sector (Dees, 2001). In this paper, we use one of the most cited definitions of social entrepreneurship as "entrepreneurial activity with an embedded social purpose" (Austin, Stevenson, & Wei-Skillern, 2006, p. 1).

Studies on social entrepreneurship have historically focused on the personality and background of the social entrepreneur. Described as a 'rare breed,' the social entrepreneur has been granted with unique characteristics, including knowledge, cognitive capacities, and altruistic values that non-entrepreneurs do not possess (Dacin, Dacin, & Tracey, 2011; Dees, 2001; Facca-Miess & Nicholas, 2014; Seelos & Mair, 2005). Recent work extends social entrepreneurship to collective participation where social and cultural resources play a vital role in social entrepreneurial actions (Azmat et al., 2015; Seelos, Mair, Battilana, & Dacin, 2011). Studying social entrepreneurship thus requires careful consideration of the context into which the social venture operates. Alvord et al. (2004) show that mobilizing grassroots assets and empowering marginalized groups to collectively participate or organize themselves locally are keys to successful social ventures. Likewise, Mair and Marti's (2009) case study on Bangladesh emphasizes collective activities and the creation of shared values in partnership with other stakeholders in the face of institutional voids. Dacin et al. (2011) too assert that successful social entrepreneurship depends largely on the diverse ways collectives respond to, become part of and ultimately inform the social venture. Azmat et al.'s (2015) study demonstrates social entrepreneurs to be bricoleurs of physical spaces and materials, resources interacting with the local institutional milieu to enact social change. At a fundamental level, these studies indicate that, rather than being decontextualized and de-socialized, social entrepreneurship needs to be highly attuned to the institutional context into which it is embedded (Seelos et al., 2011). In order to understand the institutional embeddedness of social entrepreneurship, we provide a brief review below on the concepts of institutions and institutional complexity. We then emphasize how social entrepreneurship, particularly in emerging markets, is confronted with institutional complexity.

3. Institutions and institutional complexity

3.1. Institutions

The notion of "institution" broadly refers to rules, norms and values that structure human interactions (North, 1990; North, 1994). Institutions can be formal (law, business agreements, property rights) or informal (social norms, customs, cultural scripts or rules of conduct). They create expectations, define what is appropriate, and render certain actions unacceptable for organizations and individuals (DiMaggio & Powell, 1991; North, 1990; North, 1994).

Scott (2007) summarized three categories of institutions—or institutional pillars—that prescribe behaviours: the regulative, cultural–cognitive, and normative pillars. The regulative pillar refers to governmental legislation and industrial agreements that stipulate and guide behavior by the means of laws, rules, monitoring, and enforcement (Bruton, Ahlstrom, & Puky, 2009; North, 1994). In emerging markets, the regulatory pillar guiding new social ventures is often inexistent or lacking (Dacin et al., 2010; Dowla, 2006; Hassan, 2002; Mair & Marti, 2009; McMullen, 2011). The cultural–cognitive pillar represents the taken-for-granted scripts and preconscious mental models about what generally does happen. This pillar is based on subjective meanings and tends to operate more at the individual level in terms of cultural rules and language that people apply unconsciously. Finally, the normative pillar represents the assumptions and expectations about what is appropriate or expected in various social, professional, and organizational interactions. Normative systems typically include values around what is preferred or considered proper and norms about how things are to be done (Scott, 2007).

These three pillars are guides for the "way a particular social world works" and provide the overarching set of principles that prescribe organizational actions (Jackall, 1988, p. 112). Conformity to laws, norms, and culture confers social acceptability and legitimacy, which help the organization achieve public acceptance, political protection and resource mobilization (Dart, 2004; Muñoz & Kibler, 2016; Suchman, 1995), and in turn engage stakeholders and facilitate long-term success (O'Neil & Ucbasaran, 2016). However, institutions do not always align and thus can create competing and even contradictory demands on organizations, a condition named institutional complexity.

Institutional complexity arises when organizations are exposed to multiple, different, and at times, competing institutional demands (Greenwood et al., 2011, p. 317). Under circumstances of incompatible sets of institutional logics, organizations face the challenge of competing demands and risk incorporating antagonistic practices. As Heimer explains, institutional complexity is a particularly difficult situation for organizations because "the adoption of a policy or practice that sends a favorable message to one audience may simultaneously send an offensive message to another" (1999, p. 18).

3.2. Institutional complexity and social entrepreneurship

Institutional complexity is a prevalent concern for social entrepreneurs (Muñoz & Kibler, 2016). As explained above, social entrepreneurship combines business and social purpose at its core (Dees, 2001). By pursuing a social mission whilst engaging in commercial activities, social entrepreneurs need to integrate market pressures and shareholder demands with the values and vision of a socially driven mission, which precipitates institutional complexity (Austin et al., 2006). Additionally, social entrepreneurship is a nascent field in need of legitimacy (i.e. recognition) against well-established profit and not-for-profit enterprises (Sud et al., 2009), and is likely to be discounted by regulatory regimes or external evaluators (Battilana & Lee, 2014). Finally, social entrepreneurship tends to start with small, localized initiatives but often hopes to provide solutions to complex and large-scale societal problems (Santos, 2012). Whilst scaling up to grand societal problems (i.e. durable poverty, environmental degradation) may