INSTITUTIONAL CAPABILITIES AND ENTREPRENEURIAL ADVANTAGE: BRIDGING THE GAP BETWEEN REGULATORY MANAGEMENT AND OPPORTUNITY (INTERACTIVE PAPER)

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Principal Topic

While firms may accept, acquiesce, and conform to their regulatory environments (Meyer & Rowan, 1977; Zucker, 1987), firms that encounter constraints that are especially burdensome or costly may be more likely to attempt to alter their regulatory environments (Oliver, 1991; Seo & Creed, 2002). Although past research has described the tactics and strategies organizations may use to interact with or alter their institutional environments, we have much less understanding regarding why and how these activities may be linked to the pursuit of opportunity and why some firms may be better at selecting and pursuing institutional strategies than others. Drawing on institutional entrepreneurship (DiMaggio, 1988; Greenwood & Suddaby, 2006) and capabilities perspectives (Barney & Ariken, 2001; Nelson & Winter, 1983; Winter, 2003), this research intends to fill this gap by establishing a greater understanding related to the routine activities firms develop and deploy to navigate their regulatory environments in order to pursue and exploit new opportunities.

Method

This study adopts a case-study approach. Semi-structured interviews are conducted with individuals responsible for regulatory activities at approximately 20 commercial banks located in the Southwest United States.

Contributions

This research makes two theoretical contributions. While some scholars have begun integrating the capabilities perspective with institutional theory (e.g., Bagley, 2008; Oliver & Holzinger, 2008; Crane, 2013), extant research has not specifically conceptualized institutional capabilities, which this research seeks to do. A better conceptualization of institutional capabilities may have practical importance as entrepreneurs increasingly find their options limited by regulation: knowing which activities are useful in navigating regulatory environments may contribute to entrepreneurs' performance. This research also contributes to a greater understanding of why firms may use capabilities to interact with and manipulate their institutional environments, which is absent in much of the institutional entrepreneurship literature. Institutional entrepreneurship is defined as any effort in which individuals or firms attempt to make favorable changes in their institutional environments (DiMaggio, 1988). By placing the pursuit of entrepreneurial opportunity as the objective of institutional entrepreneurship, this study is among the first to integrate concepts and relationships established within entrepreneurship theory (i.e., opportunity and innovation) (Eckhardt & Shane, 2003; Shane & Venkataraman, 2000; Short et al., 2010) into institutional entrepreneurship.

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