WHEN INSTITUTIONAL CHANGE OUTRUNS THE CHANGE AGENT: THE CONTESTED TERRAIN OF ENTREPRENEURIAL MICROFINANCE FOR THOSE IN POVERTY (SUMMARY)

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Recommended Citation
Khavul, Susanna; Chavez, Helmuth; and Bruton, Garry (2012) "WHEN INSTITUTIONAL CHANGE OUTRUNS THE CHANGE AGENT: THE CONTESTED TERRAIN OF ENTREPRENEURIAL MICROFINANCE FOR THOSE IN POVERTY (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 32: Iss. 19, Article 6. Available at: http://digitalknowledge.babson.edu/fer/vol32/iss19/6

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Main Topic

Neoinstitutional theory emphasizes not only the embeddedness of organizational fields but also explains how change agents (institutional entrepreneurs) bring innovation to the institutional environment (Battilana, 2006; DiMaggio, 1988; Maguire, 2007; Ragud, Hardy, and Maguire, 2007; Pacheco, York, Dean, and Sarasvathy, 2010). In this paper, we take a process view of change that institutional entrepreneurs initiate and show that institutional entrepreneurship is itself a changing phenomenon (Hardy and Maguire, 2008). We develop a grounded theory model which suggests that the process of institutional change moves through stages that are punctuated by recurring attempts to formally redefine the boundaries and logics of the organizational fields which institutional entrepreneurs initially establish (Suddaby, Cooper, and Greenwood, 2007).

Method

Our grounded theory model emerged from a study of how microfinancing has evolved over the last fifteen years in Guatemala. We based the model on interviews with individuals who between them represented multiple communities affected by the dynamics of institutional change in the microfinance sector in Guatemala.

Findings

Our research in Guatemala shows that, after its initial entry and establishment, microfinancing faced at least three formal attempts to redefine the boundaries of its organizational field. Each attempt involved a protracted tussle over regulation of microfinance and the organizations that provide it. We argue that the institutional change process in microfinance started with a dominant development logic, shifted to a market logic, and got stuck in a conflict over regulatory logic (Battilana and Dorado, 2010; Jarzabkowski, Matthiesen, and Van de Ven, 2009). We incorporate into the model failed attempts to resolve conflict over regulatory logic and show that the institutional change process ebbs and flows through a series of actions and counter actions between institutional entrepreneurs and established actors.

Discussion

Our paper focuses on the process of institutional change rather than its outcomes. We propose a staged model of institutional change and show how organizational fields use conflicts over regulatory logic to establish their boundaries. We show that successful institutional change can bring unintended consequences to the institutional entrepreneurs who initiate it. We show that dominant players adopt new logics in order make claims on future growth opportunities. Moreover, depending on who writes the rules, contests over regulatory logic may spell the end of the road for institutional entrepreneurs.

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