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INSTITUTIONAL CAPABILITIES' EFFECTS ON REGULATORY CONSTRAINT CHANGE AND THE PURSUIT OF ENTREPRENEURIAL OPPORTUNITY (SUMMARY)

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≈ SUMMARY ≈

**INSTITUTIONAL CAPABILITIES' EFFECTS ON
REGULATORY CONSTRAINT CHANGE AND THE
PURSUIT OF ENTREPRENEURIAL OPPORTUNITY**

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Principal Topic

Entrepreneurs, who uncover and exploit opportunities to create customer value through introducing innovative products and services (Choi, Levesque, & Shepherd, 2008; Shane & Venkataraman, 2000) are constrained by extensive and complex regulatory environments. Regulations shape the environment in which entrepreneurs are embedded and influence the variety of opportunities entrepreneurs may uncover as well as limit their means of exploitation (Meek, Pacheco, & York, 2010). Nevertheless, the regulatory constraints that entrepreneurs face are malleable (cf. Endicott, 2001; Phillips et al., 2004), which means entrepreneurs may be able to change regulatory constraints in order to pursue favorable outcomes. This study examines the role that firms' institutional capabilities may play in expanding or retracting regulatory constraints in order to either obtain access to a greater number of opportunities or to increase the value of opportunities they are already exploiting.

Method

Relying on survey items developed in a prior study of institutional capabilities, I sent a surveys to 2,915 randomly selected commercial banks in the United States. The surveys included measures for three types of institutional capability (i.e., perception, interaction, and manipulation capabilities), measures for constraint expansion and retraction, and measures for two DVs, number of new opportunities and value of existing opportunities. Controls for bank age, number of lobbyists, bank size, and the years of experience of the respondent. The survey was sent in two phases in 2014, and 216 banks responded.

Results and Implications

The findings suggest that firms that develop and deploy institutional capabilities related to (a) perceiving their regulatory environment and (b) manipulating their regulatory environment were more successful than firms that do not develop and deploy these capabilities in obtaining constraint change. Moreover, findings link constraint expansion to the capture of a greater number of new opportunities and constraint retraction to the increased value of firms' existing opportunities. This study contributes to theory by, first, expanding our understanding of the types of capabilities firms may develop, and, second, by explicitly linking entrepreneurship outcomes (i.e., opportunities) to the pursuit of institutional entrepreneurship.

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