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Institutional entrepreneurship and international business -  
internationalizing functional food companies as  
constructors of their institutional environments

**Abstract**

We adopt theoretically relevant insights from the literatures of institutional entrepreneurship and international business in order to study how international(ising) firms act as institutional entrepreneurs in various host country environments. By building on three commercialisation cases of functional foods we argue that institutional entrepreneurship is a network phenomenon which success is depended not only on the institutional environment of a host country, but also on relationships that a firm is able to mobilise. We draw our empirical and conceptual findings into a model of institutional entrepreneurs as connecting actors between business and socio-political networks. We conclude by discussing implications on the theory building on institutional entrepreneurship, international entrepreneurship and business networks.

## 1. Introduction

How institutions influence international business (IB) is a broad question which is only partially answered by the IB scholars (Henisz & Swaminathan, 2008). The field of IB needs to move beyond its “thin” treatment of the institutional environment as a set of parameters at a high level of aggregation constraining the strategic choice of multinational corporations (MNCs) (Jackson & Deeg, 2008). In their critique of the neoinstitutional theory, Kostova, Roth and Dacin (2008) suggest that international management scholars must break away from the few basic neoinstitutionalist ideas (such as *isomorphism*, i.e. similarity) that have been continuously and indiscriminately used. They argue that the existence and activities of MNCs challenges the key tenets of neoinstitutionalism, and tells “a very different institutional story, which fits better the conditions of equivocality, ambiguity, and complexity” (Kostova et al. 2008:997). These types of intentional provocations against established theories are an important way for IB to defend its position as a separate discipline.

In this paper, we respond to the calls for more intellectually rich institutional theorising in IB literature from the perspective of the ability of actors to influence institutions. More specifically, our aim is to understand how international(ising) firms may act as institutional entrepreneurs in different host country environments. By focusing on different degrees and types of institutional agency by different types of actors, we aim to overcome one of the key limitations of the IB literature, that is, a little explicit theory about the origin or change of diverse institutions (Jackson & Deeg, 2008: 545). In this both conceptual and empirical journey, we build mainly on the neoinstitutional literatures on institutional strategies (Oliver, 1991; Aldrich & Fiol, 1994; Lawrence, 1999) and institutional entrepreneurship (DiMaggio, 1988; Beckert, 1999; Lawrence & Suddaby, 2006), which focuses on explaining how specific actors may participate in the social construction of their institutional environments.

We focus on institutional agency in the context of an emerging field where institutional rules of the game and the admission standards are revealed and contested (Davis & Marquis 2005). We conducted three qualitative case studies on the international commercialisation challenges of functional foods firms. Functional foods are “satisfactorily demonstrated to affect beneficially one or more target functions in the body; beyond adequate nutritional

effects, in a way that is relevant either to improved state of health and well-being and/or reduction of risk of disease (Diplock et al. 1999:1). We find that success in building and developing relationships in business and socio-political networks is among the key explanatory factors for success in institutional entrepreneurship. Our findings have implications not only on theory building on institutional entrepreneurship, but also on the research on international entrepreneurship and business networks. For instance, we suggest that besides market and technological factors, institutional differences may lead to the increased prevalence of international entrepreneurship (McDougall & Oviatt, 2000) in environments that are supportive of institutional entrepreneurship. Our study also addresses the key weakness of the institutional entrepreneurship literature, which is the focus on institutional change and emergence in a geographically limited scale. We further contribute to the industrial network studies which focus on business interaction, at the cost of neglecting the relationships between firms and socio-political actors (Hadjikhani et al. 2008; Welch & Wilkinson, 2004).

We structure the rest of this paper in the following way. We first discuss how institutional change and emergence has been dealt with in previous neoinstitutional and IB studies, which leads to the theoretical motivation of the study. We then present our research approach and method. Based on our empirical findings we then present research implications and a concluding model of institutional entrepreneurs as connecting actors between international business and socio-political networks.

## 2. Theoretical motivation

### 2.1. *Institutional entrepreneurs as change agents*

Neoinstitutional scholars have mostly concentrated on understanding why organisations adhere to dominant practices in their fields, i.e. on the durability of institutions also referred to as institutional isomorphism. Neoinstitutional theory built an answer that organisations seek legitimacy and in pursuing it, they conform to prevailing institutions (Goodrick & Salancik, 1996).

Overall, within neoinstitutional theory change is considered problematic since institutions presume stability and persistence rather than emergence and transformation (Dacin et al. 2002; Hwang & Powell 2005; Scott 1995). Consequently, neoinstitutionalism has been more applicable to the study of institutional form and functioning than to institutional origins and transformations (Brint & Karabel 1991). In the current era of rapid scientific progress, technological change and globalisation, such focus is increasingly unsatisfactory. Not surprisingly then, neoinstitutional theory has been increasingly criticised for its neglect of organisational self-interest and active agency (e.g. DiMaggio 1988; Lawrence 1999; Oliver 1991). The growing criticism has guided prominent scholars to rethink their central theses and rejoin old institutionalism's focus on organisational self-interests, power, vested interests, and active agency (Oliver, 1991; DiMaggio 1988).

Beckert (1999) argues that institutional rules and strategic agency can be conceptualised as two coordination mechanisms that destabilise each other, but remain interdependent. On the one hand, institutions form a precondition for strategic agency. On the other hand, institutions come under pressure from agents constrained by institutions, whose violation might carry a profit premium (ibid.). The concept of *institutional entrepreneur* was suggested for those individuals or organisations that go after this profit premium, whether mental or financial. The concept of institutional entrepreneurship is important since it introduces strategic agency and proactive behaviour back into institutional theory, thus, enabling us to account for the dynamics of our era. It also helps us to understand how new fields get constructed by actors who are able to infuse new ideas and thinking, resulting in the transformation of existing institutions and the generation of new ones.

Institutional entrepreneurs play central roles in creating new institutions, and hence, in field emergence (Lawrence & Phillips 2004; Maguire et al. 2004). DiMaggio (1988:14) introduced the concept of institutional entrepreneur by asserting: “New institutions arise when organised actors with sufficient resources (*institutional entrepreneurs*) see in them an opportunity to realise interests that they value highly”. The scope of institutional entrepreneurship is broad, ranging from mature fields and powerful firms (Greenwood & Suddaby 2006; Sherer & Lee 2002), to new technological fields (Garud et al. 2002), non-governmental organisations (Leca & Naccache 2006) and professional associations (Greenwood et al. 2002). While the growing support of the concept of institutional entrepreneurship represents a fundamental theoretical shift in the collective understanding and conception of an actor (Hwang & Powell 2005: 201), the emerging theory suffers from two major shortcomings. First, the literature invokes the “hero” imagery of the individual institutional entrepreneur (cf. Lounsbury & Crumley, 2007; Maguire, et al. 2004) and second, it fails to account for the cross-national links central in institutional change and emergence. In this paper, we aim to start remedying these deficiencies by studying the acts of institutional entrepreneurship in international business context.

## *2.2. Institutional strategies in international business*

Institutional strategies are attempts of actors to change the nature of competition in their industry and influence legislative or regulatory frameworks, cultural norms or values, or establish forms and activities as taken-for granted (Lawrence, 1999). Christine Oliver (1991) proposes a conceptual typology of five categories of strategic responses to institutional pressures: acquiescence, compromise, avoidance, defiance, and manipulation. This typology varies in active agency from passive acquiescence to increasingly active institutional responses. Suchman (1995) adopts and refines Oliver’s (1991) typology into three main strategies for gaining legitimacy: conformance, manipulation and selection. In the context of building of legitimacy in new ventures, Zimmerman and Zeitz (2002) add a fourth strategy, *creation*, which involves developing something that did not already exist in the environment. However, in the earlier strategic legitimacy literature there is hardly any discussion on how the legitimating environment affects the range of possible response strategies, implicitly suggesting that such strategies are universal. Yet, field (and industry) emergence is a multi-local phenomenon where actors need to recombine multiple legitimacy requirements of host countries (Westney 1993), meaning that pioneers must simultaneously deal with high

uncertainty of the innovation itself and how it will be received in differing institutional environments.

At the same time, institutional pressures and contradictions between different institutional environments empower institutional entrepreneurship as actors are more aware of alternative institutional scripts. Corresponding the selection strategy (Suchman, 1995) Kostova et al. (2008) suggest that due to the diversity among the many institutional systems that MNCs operate in, they are more inclined to picking and choosing which institutions to adopt. Consequently, their argument is that isomorphism is less relevant for MNCs, except in the regulatory and legal domains. In a related manner, Hadjikhani et al. (2008) argue that in contrast to earlier studies suggesting that MNCs should obey and adapt to the political rules and regulations of the host countries, managers do undertake actions to manage their social-political environment. They draw a conclusion that there is a mechanism of parallel existence of the two interconnected networks of business and socio-political (non-business) actors where any action in the other affects the other (Hadjikhani et al., 2008). Socio-political actors, such as public authorities, politicians, and various types of non-governmental organisations (NGOs) are key targets of firms' institutional strategies. These strategies aim at creating socio-political legitimation, i.e. "process by which key stakeholders, the general public, key opinion leaders, or government officials accept a venture as appropriate and right, given existing norms and laws" (Aldrich & Fiol, 1994: 648). Besides the institutional context, the potential for actors to manage institutions depends on their resources (Lawrence, 1999). For instance, while large companies have resources to influence policy, small firms often feel powerless and consider the impact from political actors as a burden (Hadjikhani & Ghauri, 2001).

Based on the above insights, it is evident that some progress has been made in conceptualising international(ising) firms as constructors of their institutional environments. Yet, the primary focus of IB literature is still on how MNCs adapt their products and activities to fit with various host country environments. Isomorphic behaviour is also the key focus within neoinstitutional theory, which tends to limit investigations to narrowly confined geographical areas. Also the main body of institutional entrepreneurship studies investigates the creation of new institutions in delimited geographic regions. Hence, there appears to be little explicit efforts to draw upon institutional entrepreneurship approach in the context of international business to advance our understanding of institutional change and emergence in

various host country environments. Table1 brings together our literature review and illustrates the focus of this paper, which aims to start filling this lacunae in existing research.

**Table 1**

**Theoretical motivation**

<b>Geographical spread of activities</b>	<i>Inter-national</i>	Focus of international business research	<b>Focus of the paper</b>
	<i>Domestic</i>	Primary focus of neoinstitutional research	
		<i>Conformance</i>	<i>Confrontation</i>
<b>Type of institutional agency</b>			

These considerations raise the following question for research:

*How do international(ising) firms act as institutional entrepreneurs in various host country environments?*

In the empirical section, we present three cases of how international(ising) firms acted as institutional entrepreneurs in the commercialisation efforts of their products, concentrating on resistance that they faced and institutional strategies that they used.

### **3. Research approach and method**

We have adopted the case study method (Stake, 2005) to develop the theoretical framework by generating more specific theoretical categories. We follow an abductive theory-building approach with constant interplay between theoretical pre-conceptualisation and empirical data (Dubois & Gadde, 2002). We chose an abductive approach due to the rapidly growing research in institutional entrepreneurship which necessitates continuous follow-up of theory advancement and reflection with our empirical research and emerging theoretical insights. Hence, instead of pure deduction or induction, our theoretical framework, empirical framework and case analysis evolve simultaneously. We acknowledge the role of theory in preconceptualisation of a research even in a theory-building case study (Eisenhardt, 1989). Hence, we subscribe the view of Golden-Biddle and Locke (2006: 10) on scholarly writing that rather than “unadorned and disembodied” our work is strongly guided by our disciplinary background and “literature-based” ideas strongly guide the following analyses.

#### *3.1. Research context*

Functional foods provide a rich context for studying institutional agency for a number of reasons. Functional foods cut across the food and pharmaceuticals industries and are therefore subject to two contradictory institutional logics (Friedland & Alford 1991). Internationalising actors in emerging fields also face a double legitimacy challenge: they are facing both the liability of newness (Stinchcombe 1965) and the liability of foreignness (Zaheer 1995). Further, there are significant differences and dynamics in the regulatory framework of functional foods across regions, making it as a rich context for the study of institutional hurdles faced by actors. Overall, this context helps us both to sharpen the existing theory on institutional entrepreneurship in the context of emerging institutional business (Siggelkow, 2007). The international commercialisation stage of innovations in culturally sensitive sectors involves intense involvement with the institutional environment and, hence, the commercialisation stage of innovations is selected for our empirical analysis. In order to get enough depth in our analyses, we specifically focus on the pre-market approvals needed for commercialising a functional foods product in the two main markets of functional foods: the U.S. and the EU.

The U.S. regulative framework comprises two major possible regulative paths for gaining pre-market approval for functional foods: the food-additive path and the dietary-supplement

path. In the food additive path, manufacturers are required to obtain pre-market approval by filing a food additives petition or by demonstrating that the ingredient is “Generally Recognised as Safe”. Another route involves submitting the product as a dietary supplement under the Dietary Supplement & Health Education Act, hence bypassing the approval requirements needed for food additives. The EU Novel Foods Regulation [(EC) No 258/97] was adopted in 1997 to apply to all foods that do not have a history of significant consumption in Europe prior to 1997. The regulation stipulates that all novel foods are subject to a pre-market safety assessment. Also in the EU, the novel foods must follow one of two potential regulatory paths. This means either a full safety assessment through a Community procedure or “in the case of novel foods and novel food ingredients which are substantially equivalent to existing foods or food ingredient a simplified procedure should be provided for” (EC No 258/97). Out of 71 applications for a full safety assessment made between May 1997 and October 2006, only 26 novel foods were approved for commercialisation<sup>1</sup>.

### *3.2. Data collection and analysis*

The primary source of data is 32 individual in-depth interviews carried out between August 2004 and March 2008. The majority of the interviewees consisted of the managers of MNCs and smaller start-up firms in functional foods. Additionally, other field constituencies such as professors (medicine, nutrition, and pharmacology), regulative authorities (national and European Food Safety Authorities), and trade associations were interviewed. Rich understanding of strategising in emerging fields necessitates the investigation of more than the focal actor (Lawrence, 1999). The interviews were semi-structured. In the beginning of the interviews the participants were given an opportunity to ‘tell their stories’ without limiting the questions too much. Such open ended questions encouraged respondents to say more in a descriptive manner (Flick 1998). Thereafter, more detailed questions were asked based on what the interviewee had answered or what had been considered the key issues when planning the interview. The interviews were conducted in the native language of the interviewees either in Finnish (most cases) or English (American and UK interviewees). An extensive body of secondary data was also collected and analysed to cross-check the interview data.

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<sup>1</sup> [http://ec.europa.eu/food/food/biotechnology/novelfood/index\\_en.htmh](http://ec.europa.eu/food/food/biotechnology/novelfood/index_en.htmh)

We selected three case firms for our empirical analysis so that they present very different types of firms in terms of their resources and international presence. Such differences may contribute to theoretical richness in terms of pointing out a variety of institutional strategies. Finnish Raisio Group is the pioneer of cholesterol-lowering functional foods which initially counted on one global commercialisation partner. Anglo-Dutch Unilever was an early follower of Raisio, which leveraged its global subsidiary network to commercialise functional foods. MultiBene is a small university spin-off that has counted on international contractual modes to deal with major food companies according to geographical regions and product ranges. The case firms also show a great variation in terms of their launch market of functional foods, which inspires deeper investigation of their internationalisation process.

**Table 2**  
**Case firms**

<i>Firm</i>	<i>Raisio</i>	<i>Unilever</i>	<i>MultiBene</i>
Founding year	1939	1929	1996
Firm ownership	Publicly traded	Publicly traded	Family owned
Launch of functional foods in domestic market(s)	1995	2000	2007
Launch of functional foods in international market(s)	1999	1999	2004
Type of international networks	Licensing	Subsidiary network	Licensing

## 4. Empirical analysis

### 4.1. Case Benecol

Headquartered in Raisio, a city in south-western Finland, Raisio Group was originally founded by Finnish wheat farmers in 1939. In contrast to Raisio's key business in traditional plant-based foods with main markets in Finland and the Baltic Sea region, its ingredient business targets global functional foods markets. The firm concentrates on developing, producing and marketing the cholesterol-lowering Benecol® ingredient, a patent-protected stanol ester. Raisio acted as a pioneer in building the global market for cholesterol-lowering functional foods. Benecol's launch in Finland in 1995 was highly successful, resulting in international hype with over 300 companies world-wide contacting Raisio for possible cooperation (Törnroos, 2003).

Due to Raisio's lack of international experience and resources, it was quite obvious that Raisio needed to find a commercialisation partner. In 1998 Raisio signed a global licensing agreement with the American McNeil Nutritionals, a part of the pharmaceuticals giant Johnson & Johnson. This deal gave McNeil full responsibility for Benecol marketing outside Finland. A global pharmaceuticals company possessed valuable experience in conducting clinical trials and dealing with the authorities such as the Food and Drug Administration (FDA). Yet, McNeil ran into significant regulatory hurdles in its home market. McNeil followed a high risk strategy and tried to launch Benecol through the dietary supplement route which would enable making stronger health claims and quicker launch. The FDA responded by stopping what they considered as food being launched as a dietary supplement. Meanwhile, launched by Unilever in April 1999, Take Control margarine was the first plant sterol-based cholesterol lowering product in the U.S.

It appears that among the key explanatory factors of the failure was Raisio's lack of diverse international networks needed for commercial success. Unlike in its domestic market where Raisio had close relationships with non-business actors such as scientists and public health authorities, those critical relationships were missing in the U.S. as expressed later by a Finnish Raisio manager:

“They [markets] are so different. In American they have these ingredient requirements and health claims- we have agreed to leave all these issues to McNeil.”

At hindsight, it is possible to conclude that by giving exclusive global rights to the partner, Raisio missed the opportunity to build own international networks through which it could collect valuable market insight and experience.

To conclude, Benecol's institutional entrepreneurship failed in the U.S.. The company gave full responsibility to a partner, which decided to follow an untested regulatory path. It should be mentioned, however, that in the longer term the building of U.S. market for cholesterol-lowering functional foods has failed mainly due to the normative and cognitive issues. The marketing managers of both Raisio and Unilever explain that the consumers' lack of cholesterol awareness and the strong role of medications are the main reasons for this.

More recently, Raisio has gradually bought back most of the marketing rights<sup>2</sup> and seeks growth through its "Benecol Partnership Program". The current growth focus is in Asia, where personal relationships are important. Building relationships with socio-political actors such as scientists is among key strategies to build local legitimacy needed to deal with key stakeholders such as regulative authorities. The strategic role of its international network is described by a Director, Asia & Oceania:

...We receive enormous amount of know-how through our [licensee] network- it is a kind of an innovation itself...This is about delivering know-how to our partners, in order for them to be competitive in their own markets.

#### *4.2. Case Flora/Becel pro.activ*

Unilever is an Anglo-Dutch consumer goods manufacturer that was established through the merger of British soap and Dutch margarine companies in 1929. Unilever is the world's largest margarine producer and has made significant investments in nutrition and health research, as exemplified by the Unilever Food and Health Research Institute in the Netherlands, which comprises 450 experts from 40 nationalities. The local success and global interest in Benecol stirred Unilever to follow the footsteps of Raisio with its own cholesterol-lowering functional foods margarine. In contrast to Benecol which was launched within the EU (in Finland) prior to the enforcement of the EU Novel Foods Regulation, Unilever acted

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<sup>2</sup> Currently, McNeil has marketing rights only in North America, Ireland, the Benelux countries, France, and the UK.

as a pioneer in testing the EU safety applications for cholesterol-lowering functional foods as explained by a nutrition manager:

...Nobody had gone through this regulation before and there were all kinds of issues.. As the regulation stipulates that 30 days, they counted somebody's vacation, Sabbaths, Saturdays and Sundays and suddenly it was 90 days...And the break-up of the [EU] Commission stopped the process for months...

Yet, Unilever's two years wait for the EU approvals was relatively short when compared to many SMEs. In contrast to Raisio, who counted on its partner to deal with socio-political actors, Unilever took an active stance in negotiating with political decision makers as a brand development director tells us:

...I think really understanding who the stakeholders within the EU are and who we use to speak to them. Is there an invitation we need to think about, do we get the Unilever Chairman to have a discussion with an EU minister responsible for the claims legislation?...

Besides regulative authorities, Unilever deals actively with a broad range of socio-political actors, such as the World Heart Federation and various heart foundations in improving heart health awareness. A Unilever director calculates that the company spends each year around 20 -30 million Euros on initiatives like these.

#### *4.3. Case MultiBene*

MultiBene Group is a start-up company founded by Professor of Pharmacology Heikki Karppanen at the University of Helsinki (Finland). In 1996, Professor Karppanen invented the MultiBene® ingredient which combines plant sterols with calcium, potassium and magnesium. The ingredient promotes blood pressure and bone health besides reducing blood cholesterol levels, and hence is a first 'multifunctional' functional food. The firm has patented MultiBene worldwide. The firm follows a strategy of licensing the MultiBene technology to major players worldwide such as General Mills and Nestlé. MultiBene Group is a small family business, where Heikki Karppanen acts as the president.

The key institutional challenge that MultiBene has faced in its operations has been the access to the EU market. Similar to Flora/Becel pro.activ, MultiBene was launched after the EU Novel Foods Regulation was enforced, and hence, it was subject to a pre-market safety assessment. Professor Heikki Karppanen tells:

“When we launched MultiBene we asked from the EU that should we just notify that this has been done in the food industry before. First we heard nothing, and then it was said that it requires this novel foods procedure, of which even the officials did not know what it means. Then we got into this three-four year process where nothing happened...Then finally in March 2004 we received the first approvals... Due to these tricks European innovations can not be launched within the Union...We thought why to bang your head against the wall- we'll concentrate all our effort to the U.S.”

In 2004, the firm signed a licensing agreement with General Mills Inc., a leading North American food manufacturer. Their interaction with socio-political actors in the EU relied on scientific argumentation as stressed by Professor Karppanen:

...No, we don't need to [lobby], as we originally had so strong scientific evidence...We can also refer to the international recommendations including WHO [World Health Organization], the American and European Heart Associations...

The long wait for EU approval of MultiBene resembles another Finnish firm Teriaka (subsidiary of Paulig Group), which had to wait for four years to get an EU approval for its cholesterol-lowering ingredient. It is not surprise, then that these smaller actors claim that the inaccessibility of SMEs to the EU markets hampers the competitiveness of the EU in the future. A special advisor of a regulative body ponders that:

...The difficulties in these plant sterol products may be related to the issue that Benecol was launched before the regulation...I have a feeling that these later Finnish applications are looked at with askance...

Our research questions raised the question of how international(ising) firms act as institutional entrepreneurs in various host country environments. The three cases show how such behaviour takes place through relationship building and development between business and socio-political actors. The strategies in dealing with socio-political actors differ significantly depending on the resources of the firms. There has, however, been cooperation between the firms (a consortium between Unilever and the smaller Finnish actors) in dealing with the EU authorities. In the following, we discuss the theoretical implications of our findings.

## 5. Discussion

From the empirical data emerges our key finding that institutional entrepreneurship and its success is a *relative* rather than an absolute phenomenon. Institutional entrepreneurship takes place in various geographically distinctive markets and networks, and its success is depended not only on the institutional environment of the host country, but also on the relationships that the entrepreneur (firm or individual) is able to mobilise. This finding has implications not only on theory building on institutional entrepreneurship, but also on the research on international entrepreneurship and international business networks.

### *5.1 Institutional Entrepreneurs as International Entrepreneurs*

Our findings showed how regulative hurdles resulted into international entrepreneurship, i.e. innovative, proactive, and risk-seeking behaviour in early internationalisation (McDougall & Oviatt, 2000), where our case firm was “forced” to select the commercial launch market outside of its domestic market. This seems to suggest that international entrepreneurship is not only market-seeking, but also *institution-seeking*. Consequently, institutionally entrepreneurial activities are likely to seek toward environments that are supportive of such activities. This points out a potential new transition zone (Gioia & Pitre, 1990) between international entrepreneurship and institutional entrepreneurship literatures, which both stress proactive, path-breaking approach of actors. While institutional entrepreneurship approach concentrates on risk-seeking behaviour in institutions and international entrepreneurship in the internationalisation process, these two emerging research areas share an interest in networks as enablers of entrepreneurship (Oviatt & McDougall, 1994; Coviello & Munro, 1995, 1997; Maguire et al., 2004; Greenwood & Suddaby, 2006; Lawrence et al., 2002). Based on our cases, we now discuss some early implications of international networks for our understanding of institutional entrepreneurship.

### *5.2 Institutional Entrepreneurs as Network-builders*

Our study points to the importance of networks in behaving as institutional entrepreneurs in the international arena. Given the relative fixity and immobility of institutions (Mudambi & Navarra, 2002), institutional entrepreneurship is not solitary action, but rather institutional entrepreneurs need to mobilise a number of other actors to support institutional change and emergence. In contrast to the existing conceptualisation of institutional entrepreneurs

(building largely on the work of DiMaggio, 1988), we argue that institutional entrepreneurship takes its forms and implications through networks rather than individual “heroes”.

The Benecol case showed how the success of institutional entrepreneurship was dependent also on its partner choice and how disappointments and learning in relationships (Johanson & Vahlne, 2003) gave an impetus for building networks in other countries. Unilever, on the other hand, used its MNC network to actively lobby political decision makers through using interpersonal relationships. Besides ties to political actors, we found multitude of links between the case firms and social actors such as health authorities and international NGOs. In contrast to Kostova et al. (2008) who argue that the processes of legitimacy result in increased diversity between MNCs, we found that our case firms used relatively similar institutional strategies. For instance, building legitimacy through opinion formers, in our case highly respected scientists. These sector-crossing networks are a natural outcome of increasing pressures that firms face to engage with social and ethical issues related to their international operations (Levy, 2008). However, the specific tactics varied depending on the resources of firms (Hadjikhani & Ghauri, 2001). Still, even with relatively limited resources, the smaller firms actively constructed their institutional environment through science-based argumentation and publications.

Our claim of the centrality of network mobilisation resembles the emerging concept of collective institutional entrepreneurship which points out the need of achieving sustained collaboration among numerous dispersed actors whose interests might not be in cooperating (Wijen & Ansari, 2007; Möllering 2007). Yet, rather than collective action dilemmas, the challenges in our emerging field context were found to relate to various types of barriers or socially constructed “friction” (Shenkar et al., 2008)<sup>3</sup> between international(ising) firms and different institutional environments. The next section concludes our study by drawing the empirical and conceptual findings together.

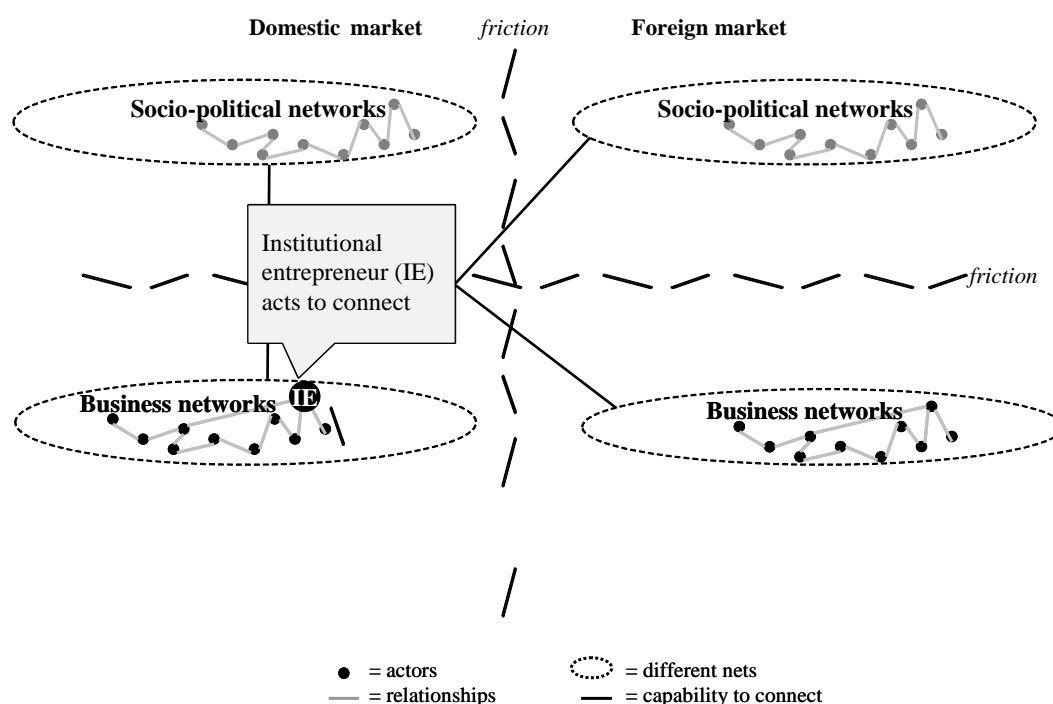
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<sup>3</sup> In contrast to positivistic or “objective” distance, Shenkar et al. (2008:906) propose the use of friction as a socially construed substitute metaphor: “a world where cultural, economic, and political realities are intermingled and socially construed, continuously interpreted by constituencies separated by power differentials and divergent interests”.

## 6. Towards a model of institutional entrepreneurs as connecting actors between international business and socio-political networks

We conceptualise institutional entrepreneurs as firms that shape the institutional environments of their home and host countries through their activities in business and socio-political networks. We argue that the capability of institutional entrepreneurs to connect between these two different networks is a major explanatory factor of the success of their institutional strategies. Success in institutional environment also has positive business implications. Such connecting behavior is difficult due to the existence of various types of friction, not only between different countries, but also between socio-political and business actors within a country. This friction within a home country was proposed to lead to the phenomenon of international entrepreneurship. Therefore, if the constraining force of domestic institutions is high, institutional entrepreneurs are likely to look for opportunities outside their home market. The idea of friction is ontologically and epistemologically close to the business networks approach of internationalisation which defines the concept of distance at the micro level of individual relationships and considers relationships as bridges which may be used in climbing over various types of barriers (Johanson & Vahlne, 2003). We conclude by arguing that building and managing relationships with a portfolio of business and socio-political actors is the key task of internationalising institutional entrepreneurs.

**Figure 1**  
**Institutional entrepreneurs as connecting actors between business and socio-political networks**



## **7. Conclusions**

We believe that our study is an important step forward in studying institutional entrepreneurship in the context of international business. Combined attention to institutional environments and micro-level behaviour of firms in business and socio-political networks offers a more complete, albeit complex, picture of institutional entrepreneurship. By exploring the conceptual connections between the two emerging research paths on institutional entrepreneurship and international entrepreneurship we provide a fresh research lens with a potential to contribute to the contemporary understanding of internationalisation (Jones & Coviello, 2005). Our study also addresses what we consider the key weaknesses of studies on institutional entrepreneurship, that is, the focus on geographically delimited settings and success stories of institutional entrepreneurship. Finally, we also hope to contribute to the few industrial network studies that focus on the interaction between firms and socio-political actors in the international arena (Hadjikhani et al. 2008; Welch & Wilkinson, 2004; Welch & Welch, 2004).

Due to its preliminary nature, our study is limited in many ways. We concentrated on few accounts of institutional entrepreneurship, mainly concentrating on the interaction between firms and formal institutions and political actors. Much more empirical data from different industries is required in order to provide more comprehensive view of institutional entrepreneurs as connectors of business and socio-political actors. We hope this study triggers future research, asking for instance, what are the mechanisms that turn network mobilisation into institutional entrepreneurship?

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