



Applying broader strokes: Extending institutional perspectives and agendas for international entrepreneurship research

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ABSTRACT

The role of the external environment is critical to understanding international entrepreneurial behavior. Scholars in this area seek to understand the role that the state and international organizations play in entrepreneurship, often employing an institutional theory perspective to analyze the phenomenon. However, the existing literature conceptualizes institutional theory in a very limited way, relying mainly on Scott's "three pillars". We review recent work on institutional theory and international entrepreneurship in order to understand how scholars have applied institutional theory. We then discuss current trends in institutional theory. We conclude with suggestions for a deeper application of institutional arguments in international entrepreneurship research, with extensions from current literature in organization studies that can contribute to a richer research agenda.

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1. Introduction

Recent decades have witnessed an explosion of entrepreneurship worldwide with important consequences for economic growth and national development. Although the global level of entrepreneurship is hard to measure, one estimate suggests that almost 500 million people are involved in new business ventures annually (Moya, 2008). This level of activity has been accompanied by an increase in scholarly work which seeks to both understand this phenomenon and to provide guidance to practitioners and policy makers. Research has increased exponentially in both scope and methods with 'international entrepreneurship' (IE), specifically, becoming a fruitful area of emerging scholarship.

In recent decades this literature has proliferated (see Acs, Dana, & Jones, 2003; Autio, 2005; Dimitratos & Jones, 2005; Oviatt & McDougall, 2005a, 2005b; Zahra, 2005; Zahra & George, 2002) focusing on numerous aspects of the topic, ranging from the rates of entrepreneurship in different countries to the relationship between traits of individuals and their decision to become entrepreneurs. However, despite its popularity and its multiple approaches for investigating the phenomenon of entrepreneurship in different countries, this research is widely regarded as possessing serious deficiencies. The field of IE research has been described as being in a state of flux, as "a matter of continuing debate and evolution" (Oviatt & McDougall, 2005a) possessing an "absence of strong theoretical foundation" (Thomas & Mueller, 2000) and as methodologically weak because it "lacks the rich perspective provided by multiple informants involved with various entrepreneurial processes" (Coviello & Jones, 2004). Thus, it is argued that the existing literature, while perhaps incorporating some interesting empirical findings, does not generally provide the kind of theoretically based conclusions, and conceptual models and constructs, upon which additional and cumulative research can be based (Rialp, Rialp, & Knight, 2005).

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Although work on international entrepreneurship has utilized multiple theoretical approaches derived from a variety of disciplines, one featured framework, institutional theory (originating from DiMaggio & Powell, 1991; Meyer & Rowan, 1977; Scott, 1995), has shown considerable promise with its attention to the impact of context and broader social constructions and structures for explaining the development of new firms and markets across international contexts. However, its application has to date not yielded the kinds of results that might be anticipated (cf. Kostova, Roth, & Dacin, 2008). The purpose of this paper is to demonstrate that institutional theory provides a rich and potentially productive conceptual basis for advancing this body of research.

Accordingly, the current research in both international entrepreneurship and institutional theory is reviewed. This paper considers the breadth of topics as well as perspectives in both arenas in order to support this claim, and, more importantly, to generate promising avenues for extending research agendas. Doing so has important implications for the future of IE since, without an expansion in existing approaches, the growth of IE research may be hindered as the questions explored would be limited to the “ways” in which theoretical explanations are currently applied.

However, for such an approach to achieve its full potential, two conditions have to be met. First, more scholars need to build on the existing work that has already been done. Second, it is essential that future work focus on institutional *processes and mechanisms*, not just structures and outcomes. This is critical because a focus on processes and mechanisms provides researchers with an understanding not only of the factors that are involved but, more importantly, of the ways in which these factors are causally linked and how these linkages lead to particular outcomes. Achieving such understanding not only meets an important theoretical need but also has important implications for practitioners since a better understanding of the factors that influence entrepreneurial processes and outcomes makes possible not only the identification of manipulable variables but also of the kinds of policy mechanisms that can effectively be deployed to achieve better outcomes.

1.1. *Evolution of International Entrepreneurship theory*

In its earliest incarnation, international entrepreneurship, moved from a business concept into an academic agenda as it focused on the international activities of new ventures to the exclusion of established firms (McDougall, 1989; Morrow, 1988; Oviatt & McDougall, 1994). Since then, this field has broadened and expanded in scope. By the mid-1990s, the “international” part of international entrepreneurship was becoming more refined. It was now defined as firm-level business activity that crossed national borders with a focus on the relation between businesses and the international environments in which they operated (Wright & Ricks, 1994). The currently accepted definition of IE is even broader:

“... a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations. The study of international entrepreneurship includes research on such behavior and research comparing domestic entrepreneurial behavior in multiple countries. Firm size and age are not defining characteristics here. Thus, international entrepreneurial behavior in large, established companies, often referred to as “corporate entrepreneurship,” is included. Further, international entrepreneurial behavior may occur at the individual, group, or organizational levels.” (McDougal & Oviatt, 2000: 903)

Some examples of recent work that reflect this wide variety of IE topics include (according to Oviatt & McDougall, 2005a, 2005b): studies of differing national entrepreneurial cultures (McGrath & MacMillan, 1992; Mueller & Thomas, 2001; Thomas & Mueller, 2000), alliances, and cooperative strategies (Li & Atuahene-Gima, 2001; Steensma, Marino, Weaver, & Dickson, 2000), small and medium sized company internationalization (Lu & Beamish, 2001; Liu, Wen, & Huang, 2008), top management teams (Reuber & Fischer, 1997), entry modes (Zacharakis, 1997), cognition (Mitchell, Smith, Seawright, & Morse, 2000; Zahra, Juha, & Yu, 2005), country profiles (Busenitz, Gomez, & Spencer, 2000), corporate entrepreneurship (Birkinshaw, 1997), exporting (Bilkey & Tesar, 1977), knowledge management (Kuemmerle, 2002), venture financing (Roure, Keeley, & Keller, 1992), and technological learning (Zahra, Ireland, & Hitt, 2000). Additionally, recent work has also focused on the phenomenon of entrepreneurial firms that internationalize from their inception, the “born globals” (Gabrielsson et al., 2008; Hashai & Almor, 2004). Given the wide range of topics subsumed under IE, it is not surprising that these studies utilize a rich variety of theoretical approaches.

Under these circumstances – the variety of international entrepreneurship topics (Dimitratos & Jones, 2005; Zahra & George, 2002), and the breadth of arguments and frameworks within institutional perspectives – one could expect a broad range of theoretical and empirical possibilities and outcomes beyond a focus on the cultural environments of various national contexts. Although cultural factors play an important role in shaping entrepreneurial behavior, institutional theory goes well beyond these factors.

1.1.1. *The potential of institutional theory*

Having developed from a breadth of traditions (e.g. sociology, political science, and economics), Institutional theory encompasses a wide variety of approaches (from examining the microprocesses in the creation of meaning and cultures to the establishment of broad regulative and normative systems and regimes). Thus, a wide variety of perspectives applicable to understanding multiple facets of international entrepreneurship are available. Unfortunately, as will be shown below, the application of institutional arguments has been rather narrowly applied. The primary focus has been upon institutions as structures – rules, and regulations to customs and traditions. – examined as a contextual variable instead of a theoretical backdrop encompassing a broader set of mechanisms and processes that make for richer research inquiries.

What's so limited about current approaches to IE research with Institutional perspectives? To begin with, a body of work exists that provides institutional explanations that emphasize how different societies have developed under varying conditions and at varying rates, each displaying somewhat distinctive complexities of institutional arrangements or path dependent processes (David, 2000) that impact innovative capabilities of nations (Murmman & Tushman, 2001; Nelson, 1993), and shape entrepreneurial activity. However, scholars working in this vein have attempted to explain differences in entrepreneurial patterns of activity, the growth of new industries, and, in general, emerging economies without a complex understanding of the nature of institutional frameworks with a recognition of the combination of their regulative, normative, and cultural-cognitive components. Scholars writing from this perspective in international entrepreneurship often assume that variation can simply be explained by institutional or national differences in histories, legal frameworks, technologies, or social structures. Hence cross national comparisons become difficult if not impossible.

Secondly, besides oversimplifying issues related to the context of entrepreneurial activity across nations, much of the work does not build on current research in neo-institutional theory. It appears that many arguments draw on the ideas of Scott (1995) who created the “three-pillar” conception of institutions, emphasizing regulative, normative, and cognitive institutional structures and processes. However, the complexity of this model, in exploring the interdependencies of these “pillars” and investigating the mechanisms and processes incorporated within these pillars has not been adequately applied in international entrepreneurship. Studies tend to give primacy to the more “visible” aspects of institutions or national cultures, such as a nation's sanctions, laws, networks or composition of actors leaning towards rather “simple” or straightforward institutional accounts. Furthermore, there are various other interpretations and definitions of institutions, from economics, political science, cultural anthropology, and sociology—for example see Bourdieu and Wacquant (1992), Campbell (2004), Hall and Soskice (2001), Nee (2005), North (1990, 2005), Ostrom (1999), Pierson (2004) and Williamson (1983, 1979) as well as growing body of current “neo”-institutional approaches that are relevant but have been rarely applied. Without fully exploring how this might be done, however, it is unclear that the current application of institutional perspectives gives a good reflection or understanding for the rapid interest and broad range of questions related to international entrepreneurship.

In short, what is missing from the existing literature are studies that focus on the dynamics and processes that shape and promote the different regulatory, cultural, and cognitive environments in which entrepreneurial firms emerge and thrive or fail. Such studies are needed not only to understand the cases of single countries but also at the level of cross national research. By understanding the distinctive institutional arrangements within and across given environments, researchers and practitioners will be able to better understand and predict the behavior of entrepreneurial firms.

Accordingly, this paper explores how the field of international entrepreneurship can be richly enhanced by a more sophisticated application of institutional arguments drawn from a broader diversity of perspectives. It will assess how institutional arguments are currently applied in the wide array of international entrepreneurship research. Then it provides an overview of institutional arguments. Finally, this paper expands on areas and applications of institutional arguments that could be more broadly applied to international entrepreneurship concerns in order to achieve richer understandings and expanded future research possibilities. Moreover the relevance to practitioners will be discussed.

1.2. *A review of International Entrepreneurship research that employs institutional frameworks*

The issue of international entrepreneurship and new venture creation has become a major area of study. Some scholars have analyzed the international entrepreneurship literature not in terms of its quality but rather by the areas which have been covered. Cox (1997), for example has identified four categories: (1) individual entrepreneurs, (2) the entrepreneurial process, (3) environmental factors, and (4) smaller entrepreneurial ventures. Cox (1997) notes that the largest number of articles dealing with international entrepreneurship fall under the environmental factor category. Furthermore, the first and fourth categories (entrepreneurs and small and medium enterprises) represent types of actors and the literature dealing with “process” issues essentially identifies types of activities and do not deal with causal factors. Thus, when analyzing the ways in which scholars have attempted to explain variations, one is led to conclude that the environmental prism is critical.

The concept of “environment”, however, is a broad one that incorporates several dimensions. Gnyawali and Fogel (1994) identified them as (1) government policies and procedures, (2) socio-economic conditions, (3) entrepreneurial and business skills, (4) financial support, and (5) other support. Cox (1997) used these to categorize the literature. Perhaps surprisingly “culture” is not considered an environmental variable even though its importance is widely recognized (Hofstede, 1983). Thomas and Mueller (2000) have also focused on the link between entrepreneurial traits and national culture, noting that traits normally characterized as “entrepreneurial” vary across cultures. As they point out, the fact that entrepreneurs' characteristics are not constant raises important issues for further research. The area with the greatest potential lies in studies that seek to explore in more detail the ways in which environmental factors influence entrepreneurship internationally.

An extensive literature does attempt to analyze the ways in which these factors affect entrepreneurship. Most of this work, however, focuses on the “context” which tends to be labeled as the “institutional environment”. But, rather than taking into account the multiple dynamics impacting the firm, most of these theoretical and empirical studies reduce the “context” or the “environment” to culture or occasionally the political/regulatory dimensions. The much broader understanding of the role of institutions and the insights of institutional theory is missing. This is the primary concern of this paper.

Table 1
International entrepreneurship and institutional theory.

Topic	Sources	Example of type of work
Environment—"Country Effects"	Spencer & Gómez, 2004	Impact of Regulatory, and Cultural systems on entrepreneurship
	Eid (2006) Ahlstrom et al. (2007) Bruton et al. (2002) Bruton et al. (2005) Mueller and Thomas (2001), Thomas and Mueller (2000) Zacharakis et al. (2007) Ravasi and Marchisio (2003) Szyliowicz et al. (2004) Yeung (2002) Busenitz et al. (2000), Manolova et al. (2008) Dimitratos et al. (2004)	The role of national culture, regulatory regimes and domestic policies on entrepreneurship
Environment—single country and comparative country analysis	Welter et al. (2004)	Entrepreneurs in a specific country comparing entrepreneurs across countries
	Yu (2000) Scheela and Van Hoa (2004)	
Environment—effect of shift in the external environment	Manolova and Yan (2002)	Change from planned economy to market economy
	Ahlstrom & Bruton (2002) Newman (2000) Wright, Filatotchev, et al. (2005) and Wright, Pruthi, and Lockett (2005) Lado and Vozikis (1996) Chen and Lin (2007)	
Linking entrepreneurship & international business approaches	Birkinshaw (1999, 2000)	Role institutional theory can play in better understanding international business
	Birkinshaw & Hood (2001) Jones and Coviello (2005) Drori et al. (2006) Kostova et al. (2008) Mathews and Zander (2007) Mudambi and Zahra (2007) Di Gregorio (2005)	
Institutional entrepreneurs	Beckert (1999)	Role of specific individuals in shaping and guiding change in a firm or industry
	Delemarle (2007) Chatterjee et al., 2002 Demil & Bensédrine, 2005 Spencer et al. (2005)	
Institutional theory—concepts and approaches	Alvarez (1992)	Understanding the diffusion of the concept of entrepreneurship worldwide
	Honig and Karlsson (2004) Lewin et al. (1999) Yeung (2002)	

1.3. Integration of institutional theory and international entrepreneurship

Given these concerns, exactly how have institutional theory and international entrepreneurship been integrated? To answer this question systematically, the top two business databases for institutional theory papers relating to international entrepreneurship were searched. Then all the papers were compiled and categorized based on how they applied institutional theory to understand the entrepreneurial process (a summary of this review/literature search is provided in Table 1). The goal was to better identify the degree to which and the ways in which scholars concerned with international entrepreneurship have attempted to utilize institutional theory. In this way, the question of whether or not the existing literature utilized the range of insights that institutional theory can provide could be answered.

Research on international entrepreneurship and institutional theory can be divided into several categories. Overall these papers seek to contrast an "economic" approach to one that incorporates regulatory or cultural issues which is labeled as "institutional" (Spencer & Gómez, 2004). Obviously variation in legal, cultural and regulatory issues are central for understanding international activity.

Generally, all studies have focused on the role that the wider environment plays on entrepreneurial behavior in different countries or regions. Multiple studies have looked at how entrepreneurship occurs in specific countries. Although [Welter, Kauonen, Chepurens, Malieva, and Venesaar \(2004\)](#) compared entrepreneurship across multiple countries, the majority of scholars have used a case study approach, focusing on a single country. For example, [Yu \(2000\)](#) examined entrepreneurship in Hong Kong and [Scheela and Van Hoa \(2004\)](#) presented an in-depth study of women entrepreneurs in Vietnam.

Most of this research is based on the work of W.R. Scott, in particular his three “pillars”—the cognitive, regulatory and normative elements that comprise the institutional environment. [Manolova and Yan \(2002\)](#), for example, found that changes in Bulgaria’s institutional environment influenced firm behavior in an adverse way. In this work, it was argued that lawmakers, tax collection agencies, and regional authorities issuing various business permits and licenses were among the key institutional players, and that the institutional environment was unpredictable, corrupt, hostile, and detrimental to the growth of private entrepreneurial firms ([Manolova & Yan, 2002](#)). However, most studies deal with only one of these “pillars”, arguing, for example that the cognitive elements as shown by a culture explain the particular outcome. [Ahlstrom and Bruton \(2002\)](#), for example, clearly explain how the institutional environment shapes the behavior of Chinese-foreign joint ventures. They demonstrate that cultural patterns directly impact the ways in which managers negotiate an “often hostile institutional environment”. Although only some joint ventures can be considered entrepreneurial, this finding further illustrates how the environment shapes firm activity.

Much of the research focuses on the institutional environment within a specific industry or sector that is seen as having a large impact on the entrepreneurial process. The issue is identifying how and why particular contexts vary, often identifying these changes due to culture or country effects. For example, work by [Dimitratos, Lioukas, and Carter \(2004\)](#), investigates the role that uncertainty in the domestic environment has for international entrepreneurial performance. Many scholars have looked at the role of financing in influencing entrepreneurial behavior and performance. With each of these papers, issues around mobilizing different forms of equity and how the entrepreneur can either access or utilize this knowledge is addressed. To understand this relationship, many authors focus on the institutional context, arguing that the manner in which capital is mobilized depends on the nature of the environment. As a result, multiple studies have been conducted looking at the venture capital industry in different countries, the ability to float IPOs, and the degree to which private equity is available. For example, [Eid \(2006\)](#) looks at the potential of private equity in the Middle East and North Africa. He argues that institutional reforms are required if growth is to be achieved. In a number of papers, Ahlstrom, Bruton, and a series of co-authors analyze venture capital in several Asian countries, arguing that the institutional context, particularly the regulatory environment, influences the ways in which that industry operates. Additionally, this work demonstrates how the environment influences the behavior of individuals within the industry ([Ahlstrom, Bruton, & Yeh, 2007](#); [Bruton, Ahlstrom, & Singh, 2002](#); [Bruton, Fried, & Manigart, 2005](#)). Moreover, institutional theory is used to explain how different economic institutions affect venture capitalists’ decision-making is of interest to several ([Zacharakis, McMullen, & Shepherd, 2007](#)). Other research examines the role the institutional environment plays in entrepreneur’s access to initial public offerings ([Ravasi & Marchisio, 2003](#); [Szyliowicz, Kennedy, & Nelson, 2004](#)). Finally, the critical role of the institutional environment for transnational entrepreneurs has been clearly analyzed by [Yeung \(2002\)](#). He demonstrates how different institutional contexts affect the behavior of entrepreneurs and how knowledge and understanding of these contexts enables them to achieve their goals.

Changes in the institutional environment and the effects that it has on the entrepreneur or entrepreneurship within a country, is also an important part of this work ([Newman, 2000](#)). Much of this scholarship has focused on the shift from planned to market economies and the effect that this has on entrepreneurship ([Wright, Filatotchev, Peng, & Hoskisson, 2005](#)). Specifically, this work often identifies specific issues that promote entrepreneurship in different countries or regions ([Lado & Vozikis, 1996](#); [Chen & Lin, 2006](#)). Research that also looks at economic dimensions and regional development can also be included in this category. Empirically, work has been done to create measures of institutional profiles in order for researchers to explore differences in entrepreneurship across countries ([Busenitz et al., 2000](#)). This research has been validated in emerging economies as well ([Manolova, Rangamohan, Eunni, & Gyoshev, 2008](#)).

Additionally, scholars are interested in exploring the link between entrepreneurship and international business. This research is very extensive, based on the idea that international entrepreneurial behavior required innovative, pro-active and risk-seeking behavior across borders ([McDougal & Oviatt, 2000](#)). This definition then opens up international entrepreneurship research to a wide range of phenomenon from new firms to multinationals involved in any aspect of the internationalization process. As a result, almost any internationalization behavior can be covered under this definition. Examples abound such as research by Birkinshaw on the role of subsidiaries of multinationals ([Birkinshaw, 1999, 2000](#); [Birkinshaw & Hood, 2001](#)) or how firms go about internationalizing ([Jones & Coviello, 2005](#)). [Drori, Honig, and Ginsberg \(2006\)](#) explicitly utilize institutional theory to create an analytic framework to assess transnational entrepreneurship. Many other papers consider the internationalization of new ventures (whether they be “born-globals” or MNCs entering a new market) and how they are able to exploit opportunities provided by different institutional environments ([Kostova et al., 2008](#); [Mathews & Zander, 2007](#); [Mudambi & Zahra, 2007](#)). On the other hand, research such as [Di Gregorio \(2005\)](#) demonstrates how concepts from entrepreneurship can help better understand traditional international management conceptions of the environment, such as country level risk.

A series of papers focus explicitly on specific types of actors, “institutional entrepreneurs” and the way in which their behavior is both influenced by the environment and how they work to change that environment ([Beckert, 1999](#)). They are seen as playing a pivotal role in promoting and creating the institutions that allow entrepreneurship or certain technologies

to be successful (Chatterjee, Grewal, & Sambamurthy, 2002; Delemarle, 2007). Often this work discuss the role that entrepreneurs play in modifying regulations or creating changes in the legal environment to benefit a certain company, industry or sector (Demil & Bensédine, 2005; Spencer, Murtha, & Lenway, 2005).

A relatively small number of papers grapple on a theoretical level with issues that institutional theorists are traditionally concerned with. These papers seek to explain the diffusion of practices and shared meanings. Thus, research looks at the dissemination of business ideas and specifically, entrepreneurship across several countries and the institutionalization of these practices (Alvarez, 1992). Another work considers the role that institutional forces play in the creation of a business plan for Swedish entrepreneurs (Honig & Karlsson, 2004). Lewin, Long, and Carroll (1999) consider the role that changes in the institutional environment have for new organizational forms. The critical role that the institutional environment on transnational entrepreneurs has been clearly analyzed by Yeung (2002). He demonstrates how different institutional contexts affect the behavior of entrepreneurs and how knowledge and understanding of these contexts enables them to achieve their goals.

In sum, all of this research provides valuable knowledge, however it fails to take advantage of many of the insights of institutional theory. In the following section, we review the breadth of institutional arguments, including more current perspectives and fruitful directions of inquiry within this body of arguments.

1.4. An overview of institutional arguments

While institutional arguments and approaches have substantially matured and progressed, there remains many and varied conceptions of institutions, from economic and political conceptions, to more sociological, even cultural anthropological notions—see Scott (2008a, 2008b) and Scott and Davis (2007) for reviews. This diversity in perspectives leaves room for multiple areas of application for institutional approaches to studying international entrepreneurship. Institutional theory has been a presence in organizational studies since the late 1970s. The foundation for this set of theories emerged primarily from Meyer and Rowan (1977) which analyzed the symbolic properties of organizational forms, with particular emphasis on the role of myth and ceremony and its impact on organizational attributes and actions. Following the work of DiMaggio and Powell (1983), institutional arguments began to focus on how new institutions take form and on issues of symbolic legitimation and isomorphism, highlighting how institutional contexts in which a particular organization is situated will influence organizational forms that resonate with the values and interests of these institutional environments (DiMaggio, 1988; Westwood & Clegg, 2003). In the late 1980s this approach began to receive both internally and externally generated criticism that the role of agency and power relations were being neglected (DiMaggio, 1988) and that there was an overemphasis on research that explained the static or stable characteristics of organizations rather than processes of change (DiMaggio & Powell, 1991). As a result, there have been more recent developments, referred to as “new institutionalism” (Hirsch & Lounsbury, 1997; DiMaggio & Powell, 1991) that gives primacy to processes of institutionalization (as opposed to outcomes) and emphasis on power and agency.

Current institutional approaches offer a number of important advantages for developing useful conceptual frameworks for interpreting and attempting to guide current modernization and globalization processes. Scott (2008a) points out that there is movement away from totalistic or monolithic views of modernization processes and economic development towards more detailed attention to the specifics of institutional variety at the organization sector, or societal levels. As such, recent work directs more attention to the complex interactions among institutional processes at multiple levels, recognizing that the globalization processes now under way not only conduce to areas in which structure and activities converge, but also promote diversity and innovation. Instead of the predominance of work that focused on institutional processes as explaining “isomorphism” across fields of activity (DiMaggio & Powell, 1983), there is a recognition that isomorphic processes can result in diverse outcomes due to the complexity and interplay between regulative, normative, and cultural-cognitive mechanisms that occurs across national contexts. Institutionalism occurs in many forms.

Scott's conception (1995, 2001: 48) proposes that institutions are “. . . social structure that have attained a high degree of resilience [and are] composed of cultural-cognitive, normative, and regulative elements that, together with associated activities and resources provide stability and meaning to social life.” Note that this definition gives equal emphasis (if not more) to the importance of shared beliefs, assumptions, organizing templates, schema (cultural-cognitive phenomena). In addition, there is attention to the multifaceted nature of institutions that compose ideas, as well as interests and actors, and symbolic elements that connect and reflect social activities, social relations, and material resources (Scott, 2008a; Scott & Davis, 2007). Scott (2001)'s definition of three main “pillars” or components to institutions – regulative, normative, and cultural-cognitive – are highly interdependent yet distinct in that each pillar has differences in:

- Its basis for compliance (Regulative is based on experience, Normative, on social obligation, and Cultural-Cognitive on shared understandings or taken-for-grantedness);
- Its basis of order (Regulative is based on regulative rules; Normative on binding expectations; and Cultural-Cognitive on constitutive schema);
- The mechanisms of influence (Regulative relies on Coercion; Normative on Norms; and Cultural-Cognitive on Mimetic forces);
- The type of social logics that influence (Regulative is associated with instrumentality; Normative with appropriateness; and Cultural-Cognitive with Orthodoxy);

- Its indicators (Regulative is identified by rules, laws, and sanctions; Normative by certifications and accreditations, and Cultural-Cognitive by common beliefs and shared logics of action); and,
- Its basis of legitimacy (Regulative conjures up legal sanctions for legitimacy; Normative focuses on what is morally governed, and Cultural-Cognitive is based on comprehension, recognizability, and culturally supported activities).

However, through the years, not just in the realm of international entrepreneurship research, theorists vary in the extent to which they focus analytical attention on one or another of these pillars – with a tendency to give attention to regulative elements that are more easily identifiable as they are more formalized, more explicit, more easily planned and strategically crafted (Scott, 2008a; Scott & Davis, 2007). However, any “fully developed” institutional accounts or applications need to give attention to combinations of the three elements or pillars of institutions because, although analytically distinct, they are nested and interdependent. For example, while rules, laws, and sanctions are readily identifiable, a lack of attention to deeper cultural-cognitive elements in which the categories and distinctions that are expressed in such regulations can lead to a superficial understanding of institutional processes since regulative components can change more quickly than cultural-cognitive or normative components (Roland, 2004). In fact, actors can, and will, “game the system” such that activities and structures present at any given time are not accurately explain by existing regulative elements of institutions. As such, more primacy needs to incorporate normative and cultural-cognitive elements within institutional explanations for a richer understanding of the variance in prominence or salience in certain elements’ influence over time (see Hoffman, 1999). The various “pillars” of institutions operate simultaneously to channel and constrain some structure and behaviors, and also to support or empower others (Scott, 2008a; Scott & Davis, 2007)—overreliance on one element leads to incomplete understandings of institutional phenomena.

Although much of the earlier work stemming from DiMaggio and Powell (1983) and Meyer and Rowan (1977) focused on institutional accounts for stability and social order, more recent approaches, particularly those labeled as “neo-institutional” (DiMaggio & Powell, 1991; Hirsch & Lounsbury, 1997) give attention to the generative role that institutions can play. Institutions can formulate “...particular configurations and forms of actors, and particular opportunities of action” (Dacin, Ventresca, & Beale, 1999). Normative and Cultural-Cognitive elements, such as ideas, norms, and schema, about goals, means-end relations, appropriate forms, processes or actors, routines for example, are essential components that interact with and give meaning and value to the material resources that organizational actors (such as entrepreneurs) have to draw from (Campbell, 2004; Sewell, 1992). Thus, the role that all institutional elements play in the emergence of new organizations or even populations and broader economies, needs to be given greater attention. Work in sociology and organizational theory that gives attention to the embedded nature of new organizational forms or populations is a good starting point for extending arguments about the embedded nature of all entrepreneurial activity across international contexts.

1.5. Institutional arguments—moving forward

There has been considerable attention being given to the state of the field of organizational studies, with particular attention to institutional arguments as a primary research avenue that is ripe for advancing all areas within management and organization studies (Davis & Marquis, 2005; Scott, 2004, 2008a; Scott & Davis, 2007). There have been considerable advance made that “takes stock” of what Institutional Theory has accomplished as a body of work (see the recent SAGE Handbook on Organizational Institutionalism by Greenwood, Oliver, Suddaby, & Sahlin, 2008a). Limitations as well as unexplored avenues have been recognized, and several fruitful directions exist that hold good potential for the development of research activity across management and organization disciplines, like international entrepreneurship. It has been argued that institutional theory continues to thrive within and across the discipline of organization studies (Greenwood et al., 2008a; Scott, 2008a). Fundamentally, the basic tenets within institutional research has moved from a shift in emphasis and arguments based on examining the influences of context and legislative actions, social values, and cognitive understandings (i.e. the institutional environment encompassing all three pillars—Scott & Davis, 2007) UPON organizations to recognizing the continually interplay BETWEEN organizations and their environment. As such, the field is moving towards the exploration of questions and arguments related to the following objectives (as we have adapted from arguments proposed in Greenwood, Oliver, Suddaby, & Sahlin, 2008b): (1) The continued application of institutional theory to multiple levels, topics, and settings, with ‘institutions’ defined as a broad construct encompassing cognitive, normative, and regulative structures AND processes; (2) An appreciation for the different manifestations of institutionalization, such that we can trace the source, persistence, and diffusion to varied organizational phenomena. Thus a move away from “institutions are X” to “institutions can be Y” or “what is institutional about Z”; (3) Movement towards contextualizing the phenomena we study, whether that context encompasses regulatory, historical, political, cognitively tacit, or socially embedded values or norms. In doing so, the objective is not to simply employ institutional theory for its convenience as a “catch-all” for what other theories cannot explain (and sometimes cannot monitor, capture, or measure in the empirical sense) but instead to “stimulate contextualization”. Thus, the focusing on context means to look for rich and comprehensive complexities. As a result, current applications of institutional perspectives have expanded considerably in focus., with many of the central tenets of Institutional arguments, now questioned and expanded instead of “taken-for-granted” as a set of institutional processes that have a narrow definition and scope.

For example, there is greater attention to issues of institutional isomorphism as a complex phenomenon of intra- and inter-organizational based responses to institutional pressures (e.g. Boxenbaum & Jonsson, 2008; Davis & Greve, 1997; Greenwood & Hinings, 1993; Greenwood & Suddaby, 2006; Hasse & Krücken, 2008; Kraatz & Block, 2008; Westphal & Zajac, 2001), as well as identity-based (e.g. Elsbach & Kramer, 1996; Fox-Wolfgramm, Boal, & Hunt, 1998; Glynn, 2008; Kostova & Roth, 2002) or translation/interpretation-based responses (e.g. Czarniawska, 2008; Czarniawska & Sevon, 1996; Sahlin-Andersson, 1996; Sahlin & Wedlin, 2008). In addition, there is questioning of the concept of legitimacy where now there is attention to the acquisition, management, and use of legitimacy, such that legitimacy is conceptualized as “agency” (e.g. Arndt & Bigelow, 2000; Deephouse & Suchman, 2008; Elsbach, 1994; Elsbach & Sutton, 1992; Westphal & Zajac, 2001) highlighting what organizations and organizational actors do to succeed and survive in environments.

Current work also gives greater attention to institutional change and institutional entrepreneurship that acknowledges the conflicting, contested, or legally constrained terrain of organizational fields (e.g. Dacin, Goodstein, & Scott, 2002; Hwang & Powell, 2005; Lawrence & Suddaby, 2006; Leca, Battilana, & Boxenbaum, 2006; Schneiberg & Lounsbury, 2008) such that the complexity of environments as both constraining and enabling of change is a focus for expanding our understanding of new forms, structures, practices, and relationships.

As a final example, there is a growing body of work that examines the institutional logics, overarching cognitive belief systems, ideologies, etc., that exist within organizational fields, societal or national contexts, and broader world-polities that impact the range of activities that exist as well as the potential for change, as logics intersect, exist in multiplicity, and “contest” over time (e.g. Friedland & Alford, 1991; Thornton, 2004; Thornton & Ocasio, 2008). This work focuses on both the processes and outcomes of “meaning” and “meaning-making” that makes possible actions possible, endorses actors and forms, and provides opportunities for the deinstitutionalization of old actors, forms, and field and the development of new domains of activity.

In all there is increased recognition within the field that the complexity of arguments within institutional perspective exists, yet has often been underutilized or too broadly applied (Greenwood et al., 2008b; Lawrence & Suddaby, 2006; Scott, 2004). Attention is now being given to the value of institutional perspectives that concentrate on creating greater and richer explanatory power by giving attention to mechanisms as opposed to outcomes (Davis, 2006; Davis & Marquis, 2005)—understanding the complexities of embeddedness and social factors, understanding the nature of organizational or individual actor responses. Focus on institutions as a process, and something that has to be enacted to be maintained as well as changed (Lawrence & Suddaby, 2006) can draw attention to asking different questions in relation to “what explains new organizations?” or “what explains the type of new organizing that we are seeing?” or even, “how can we better understand the variety of contexts in which new organizations emerge”—all fundamental questions related to the domain of International entrepreneurship. In the following section, we extend on these new themes and current understandings of institutional arguments to explore further research avenues for IE research that employs current institutional frameworks and theorizing that focuses more on mechanisms and change.

2. Future directions for international entrepreneurship and institutional perspectives

As our review suggests, international entrepreneurship has heretofore focused on the entrepreneurship dimension to the neglect of the international. The research demonstrates an agreement on the important role of institutions for international entrepreneurship but institutional arguments are utilized in a limited way, essentially to explain the role of the external environment across a variety of settings with a primary emphasis on visible, codified forms of institutions (like governmental bodies, rules, and regulations, even cultural traditions across national contexts). We argue that institutional theory can contribute more to the field of international entrepreneurship with a broader application of current “movements” in institutional arguments that focus on mechanistic processes and place more emphasis on change and agency.

However, the arguments must be appropriately conceptualized and applied. As a first step, it is therefore necessary to specify critical dimensions and levels of analysis. Doing so would also facilitate comparative analysis as well as enrich our understanding of single-country investigations. As we pointed out earlier in our review of the literature, such analysis, though essential, has to date, been largely underutilized as much of the empirical work is single country case studies with a narrowly defined focus on certain structures within a country's environment. Thus, two weaknesses can be identified. First, these studies represent interesting cases that are *sui generis*, lacking value in generalizability. Second, the focus on specific structures neglects the context and the ongoing interactions in which they are inevitably involved.

Accordingly, such studies must be grounded within an explicit theoretical framework. At present, the existing literature essentially consists of numerous studies that consider the specific national setting within which entrepreneurship occurs or entrepreneurs are acting but which do not comprise a coherent body of theoretically based work. As a result, it is impossible to utilize the insights of these studies in a comparative and cumulative manner so as to further develop and refine our existing theories. Comparative analyses can also be carried out by using such well known strategies as cross national comparisons involving several countries and large *n* studies. The application of an accepted institutionally informed theoretical frame would facilitate the development of contributive single case studies. It would also provide a sound base for more extensive cross-national analyses.

Such a frame requires the specification of the critical dimensions along which comparisons can be made. One promising way to extend theoretical frames is to build on arguments and suggestions made by Etemad (2004). He argued that greater understanding of the phenomenon of international entrepreneurship requires attention to the interaction between four

layers—the entrepreneur, the firm, the market and the international environment. However, it is necessary to modify this conceptualization slightly so that it conforms more closely to the levels of analysis addressed by institutional theory by substituting “country” for the “market” and defining the international environment as the “world system”. Accordingly, we propose that the following levels be considered in future research: the entrepreneur, the firm, the country and the world system.

Although conceptually distinct, these levels are interrelated and connected. Furthermore the actor(s) at each level have not only unique internal characteristics which play a role in their behavior but are embedded in a set of relationships at that level. This conceptualization of “embeddedness” is an important contribution that institutional theory makes to the analysis of international entrepreneurship. We now explore each of these levels for promising avenues of future research directions.

2.1. *The entrepreneur level*

Current perspectives in institutional theory recognize the importance of cultural-cognitive processes in shaping organizational action—processes dealing with social construction of realities and the importance of meanings (Philips & Malhotra, 2008; Zilber, 2008). These are also increasingly concerned with understanding the micro-foundations of institutions—the important role of individual actors and their behaviors in the sustaining or changing of wider institutional processes (Powell & Colyvas, 2008). Accordingly, more emphasis should be directed at understanding the role of cultural and cognitive processes that ultimately impact who will become an entrepreneur and how individuals view entrepreneurship opportunities and actions within any cultural/societal context. The entrepreneur is naturally embedded in the environment (Dana, 1995; Jones & Conway, 2004; Keeble, Lawson, Smith, Moore, & Wilkison, 1998) and she is the product of her upbringing, early education and his socio-cultural environment. As such, questions surrounding the understanding of entrepreneurial identity, ontology, and teleology should take a more “cultural turn” with greater emphasis on understanding the socio-cultural, or cognitive-cultural environment that impacts individual entrepreneurs (Dodd, 2002). More specifically, attention needs to be given to the enaction, interpretation, translation, and meaning that occurs at the individual level to give better explanation to the mechanisms of institutional processes that are typically observed at the sectoral, field, or global level (Powell & Colyvas, 2008). One interesting avenue, related to understanding the socio-cultural influence on individual entrepreneurs, would be to understand all of the “arenas” of an entrepreneurs identity that can impose meaning or give rise to action (or constrain actions as well) (Glynn, 2008). As an example of work in this vein, Dodd (2002) developed a cultural framework of entrepreneurship through an examination of the metaphors and meanings used by entrepreneurs in the U.S. In this work, comparisons between U.S. cognitions about what entrepreneurship is and North European counterparts (Koriranan, 1995) were possible as a preliminary step in understanding cultural variations and commonalities in entrepreneurial identity and, fundamentally, attributes. As boundaries across countries become blurred and experiences among individuals become more varied, an entrepreneur's development, including her mindset and orientation, may also be influenced by travel, exposure to and experiential learning in the context of other cultures (Andersson, Gabrielsson, & Victor, 2004; Kedia & Mukherji, 1999; Knight, 2001; Kuivalainen, Sundqvist, Puumalainen, & Cadogan, 2004).

Qualitative and interpretive investigations along these lines within and across countries can add greatly to our understanding of varying institutions. At the same time, we can gain valuable insights into the nature of entrepreneurial practices and processes. This processual and constructivist approach allows for a different understanding of entrepreneurship that addresses the highly dynamic entrepreneurial realities that individual entrepreneurs face, while also giving us insight into transnational differences that are often described in more macro and static or stable terms (Steyart, 1998). Again, international entrepreneurship research can be extended into a better understanding of entrepreneurial motivations (Schumpter, 1934/1993) both within and across transnational contexts (Djelic & Quack, 2008).

2.2. *The firm level*

Even though the individual firm receives less attention in institutional theory, it is central to international entrepreneurship research. In institutional theory such an organization is seen as embedded in a wider field of activity. Analyzing the impact this field has on the firm is central for understanding both individual and firm behavior. However, this relationship is not unidirectional. Entrepreneurial firms are not only shaped by the field in which they compete, but also influence its structure and function. Therefore to understand performance, it is necessary to understand the field in which the firm is embedded in. Part of what shapes behavior in the field are “institutional logics” or shared systems of meaning which are reflective both of aggregate preferences and specific values and motivations for action (Thornton & Ocasio, 2008). These logics incorporate the cultural, structural, normative and symbolic influences around the specific field (Scott & Davis, 2007). Thus, logics help explain action and why practices become instantiated. This concept is important to international entrepreneurship because it helps to explain the link between macro forces like culture, societal norms and industry specific action. In this way, Institutional theory provides a more nuanced approach to assessing and understanding the role of the external environment.

In attempting to understand the sources of entrepreneurial activity, current research containing institutional arguments place more primacy on the importance of context than on distinctive individual characteristics, search processes, decision-making, or specific behaviors. As such, entrepreneurship is understood as a set of activities or efforts that promote change within environments (changes ranging from the emergence of new firms to the emergence of new forms, industries, fields of

activity). Within this view, institutional environments, understood in all of their complexity in terms of multiple rules, norms, and meaning systems, allows for more “choice” and “creativity” for entrepreneurs (Scott, 2007). In other words, attention to the complexity of structural templates, routines, scripts, and logics highlights the various outcomes that result from these institutional components that an entrepreneurial actor can deploy. As such, we can get a richer application of institutional arguments to all entrepreneurial activity, within a single nation or across nations, giving attention to examining the variance in norms, values, beliefs and logics, scripts, and meaning systems as well.

Recent work by Suchman, Steward, and Westfall (2001) identify three distinct cultural processes of diffusion, recombination, and sense-making that can help explain entrepreneurial activity.

“Diffusion introduces preexisting models into new fields...entrepreneurship may simply involve imitating the organizational forms of one field when launching new endeavors in another. Recombination goes one step further, constructing novel organizations, but from preexisting standardized components...sensemaking, the most radical form of instructional entrepreneurship, involves the construction of genuinely novel cultural accounts to address unexpected and anomalous events” (2001:355).

Other work by Suchman (forthcoming) also discusses the diffusion of models or templates that provide the basis for crafting “organizational genetics” which influence how organizations arise and diffuse. In this work, he discusses the processes of “filiation” which involves the copying of a pattern as embodied in an existing organization, reproducing organizations of the same type; “compilation” which occurs when some type of intermediary observes variations in forms and practices in a developing community of organizations and codifies them as models to be emulated (Suchman & Cahill, 1996); and, “bricolage” which involves entrepreneurs who combine components from various existing organizations into new combinations, creating hybrid forms (Campbell, 1997, 2004; Douglas, 1986). The observance and adoption of “models of organizing” involves interpretation as well as action in the form of enactment—institutional processes. In other words, these processes heavily involve institutional actors, institutional understandings about practices and structures (even regulations), as well as appropriateness and shared understandings (normative and cultural-cognitive elements). Hence macro-processes of entrepreneurial activity provide a fertile area for institutional interpretations and explanations.

For example, the area of international entrepreneurship would benefit by examining how institutional logics within an industry affect the choices that entrepreneurs make. Research on logics in other areas has demonstrated the influence of shared systems of meaning across companies (e.g. Cooper, Hinings, & Greenwood, 1996; Czarniawska & Gendell, 2002; Green, Babb, & Alpaslan, 2008; Kitchener, 2002; Reay & Hinings, 2005; Suddaby & Greenwood, 2005; Thornton, 2002; Townley, 2002—c.f. Thornton & Ocasio, 2008) and provides multiple examples of methodologies that can be employed to “measure” or track institutional logics within a field of activity. Therefore, it would be interesting to examine the ways in which existing logics influence entrepreneurial activities, in particular, within various national contexts. Previous work suggests that they will both influence how entrepreneurs view the opportunities available and the business models that they choose to use but this is a hypothesis that deserves to be tested, particularly given the variations in institutional logics both across time and across contexts.

2.3. The country level

The role of countries or nation-states has been widely investigated because they are considered to be the most important source of differences across international entrepreneurship activities and behavior. Many researchers utilize “country” as a broad empirical construct that subsumes regulatory, ethnic, linguistic, and cultural forces. These sets of ideas are labeled “societal institutionalism”—the set of conceptual and empirical studies that focus on the distinct social and institutional settings that exist in various nation-states or countries (Djelic & Quack, 2008). Within these studies, the institutions that receive the most attention are the state, the financial, educational and training systems, the labor market regime, and norms and values governing trust and authority relationships (Hall & Soskice, 2001; Maurice & Sorge, 2000; Whitley, 1999). Institutional theorists have devoted considerable attention to understanding the role of each of these factors on such phenomena as the structures and strategies of firms, the relationships between different stakeholder groups, and the roles of managers (Djelic & Quack, 2008).

Such societal institutionalism has been the subject of considerable research because not only is it an important factor that shapes entrepreneurial behavior but, unlike ethnic, linguistic and cultural forces, it is a variable that can be manipulated. The nature and structure of regulations are the result of political decisions that are made by the state and influenced by a wide range of actors within a country. Economists (Baumol, 1968) have long demonstrated the importance of the regulatory framework within which entrepreneurs function, especially the role of property rights. More recently, Hernando De Soto (2000), has gained widespread attention because of his concern with the lack of a formal, integrated property rights system in developing countries. He argues that individuals are prevented from becoming entrepreneurs because they are unable to leverage their informally owned assets for credit.

However, regulations and legal systems are reflective of the socio-cultural, political and normative environment within which they exist. As a result, regulatory regimes cannot be considered in a vacuum. Institutional work, such as that by Edelman and colleagues (see Edelman, 1992; Edelman, Abraham, & Erlanger, 1992; Edelman, Erlanger, & Lande, 1993; Edelman & Suchman, 1997; Edelman, Uggen, & Erlanger, 1999) and Dobbin and colleagues (Dobbin, 1994; Dobbin & Dowd, 1997, 2000; Dobbin, Sutton, Meyer, & Scott, 1993), have considered how regulations get created and the role that both

individuals and wider cultural contexts and meaning systems play in the creation of particular legislative systems. In this work, there is no consensus on how to define institutions in reference to the apparatus and policies of the State (Greenwood et al., 2008b). Laws and regulations help to create and enhance interests within a field of activity, which can in turn create “institutions” that are hard to change as interests get vested in the regulations (Dobbin, 1994; Edelman, 1992). Furthermore, these institutional approaches highlight how regulations and legislation are not simply structures that can create or inhibit incentives and opportunities, but they are also reflections of cognitive schema that are historically contingent (Edelman & Suchman, 1997). Hence, a regulatory framework should be viewed as reflective of the implicit and explicit political and social mechanisms that exist within a country. In addition, these approaches highlight the need to see institutions as both regulatory frameworks and cultural models, instead of focusing narrowly on regulations as coercive processes. Doing so would permit us to better analyze entrepreneurial behavior within and between countries.

The role of such social, political and historical conceptions extends beyond the creation and maintenance of a particular regulatory system and determines the structure and functioning of the lower levels by determining not only behavior but structures as well. What is considered suitable in a particular country has been the focus of research in institutional theory for almost twenty years. According to this research there are explicit differences among countries in such areas as business organization. According to this research, certain organizational forms, such as keiretsus or chaebols, exist in particular countries because of the social understandings of how business should be structured. They “...represent qualitatively distinct conceptualizations of what constitutes appropriate economic activity” (Orri, Biggart, & Hamilton, 1991: 363). As a result, understanding entrepreneurial activity has to be viewed in terms of the specific country’s particular socio-cultural value system.

The nature of the state greatly influences the environment in which business operates. As Jepperson and Meyer (1991) theorized, all states differ on two core dimensions, the amount of control and discretion individual actors can exercise and the degree of control that the state exerts. Action is a result of the integration of the political, economic and social environment. In this way, they argued, one can explain the variation in the ways in which entrepreneurial firms are organized and their subsequent actions. Entrepreneurial activity is, therefore, both a product and a reflection of this environment.

International entrepreneurship research could benefit from research along these lines. Scholars could carry out detailed explorations of how these dimensions influence entrepreneurship across countries. Generally, lack of state involvement is seen as a positive development for entrepreneurs but we lack detailed empirical studies that analyze the ways in which individual actors react to different levels of state control. Cross national studies would enable us to tease out the interactions between the effects of different levels of control and the role of the entrepreneur.

2.4. *The world system*

The final level of analysis is the world system. Research in this arena demonstrates commonality among states and other international actors. The explanation for this similarity in behavior across countries is based on the increased interdependency in the world system. Because of the interconnection between all types of actors, one sees similarity in behavior. This body of research also identifies the mechanisms for the diffusion of behavior. Specifically they focus on shared ideologies, social action, and governance mechanisms to explain a certain activity.

Additionally, these authors examine the role of formal international structures as embodied in organizations, such as the UN and the World Bank, as well as international agreements and social interactions. These transnational linkages and institutions are seen as critical for the global spread of certain practices. This approach argues that domestic institutions are not created *de novo* but are reflective of wider belief systems and international cultural values. As Meyer, Boli, Thomas, and Ramirez (1997) (pp. 144–145) stated, “many features of the contemporary nation-state derive from models constructed and propagated through global cultural and associational processes.”

In sum, as stated earlier, these four levels represent a useful framework for exploring future applications of institutional arguments that capture broader applications of institutional processes than those that have been applied thus far in the literature. These levels are interconnected which can add further dimensionality to the development of understanding within IE research. For instance, debates and interactions at the global level lead to shared conceptions about a given problem or issue that affects country level outcomes. Research has empirically demonstrated that as a result of being embedded in these networks, similar patterns emerge in such areas as patent legislation (Hironaka, 2002), views of science (Shofer, 2003) and educational systems (Drori, Meyer, Ramirez, & Schofer, 2003). Such findings are especially relevant to any effort to expand our understanding of international entrepreneurship because these institutions play a critical role in promoting particular activities and also determine what is seen, counted and identified. In particular, since much of the empirical data that we have on the rates and growth of entrepreneurship globally is collected by such international organizations, what is considered entrepreneurship, therefore, is reflective of their frameworks and conceptions.

Research utilizing this type of institutional framework would look at how entrepreneurship is defined in different countries and the implications that flow from these differing perspectives. Additionally, this type of research could look at the diffusion of a specific practice across countries and the effects that it has on entrepreneurial behavior. One potentially valuable study could examine the rise of microfinance, the role that international institutions and states have played in its diffusion and its impact on entrepreneurial activity within countries.

3. Conclusion

Our review of the literature has demonstrated that much of the knowledge that current institutionalists have explored has not been broadly utilized by international entrepreneurship scholars. Although institutional arguments have been used by many scholars seeking to better understand international entrepreneurship, this research has been primarily limited to explaining differences in the international environment and the ways in which these factors impact entrepreneurship. As a result, important gaps still exist that limit our understanding of entrepreneurial behavior worldwide. However, institutional theorists have made significant theoretical advances that deserve greater attention by scholars focused on international entrepreneurship because, as demonstrated above, these have the promise to fill existing gaps in our understanding of important issues in the field. In particular, explanations of the mechanisms which allow for adaptation and change deserve particular attention and as, has been shown, institutional theory is especially relevant in attempts to describe the mechanisms which shape entrepreneurial behavior. By understanding these processes, research is not limited to understanding specific environmental influences on entrepreneurial behavior but rather the ways in which a variety of factors interact to determine outcomes. This type of research is significant, not only for its own sake, but because it will contribute to the development of cross national comparisons, an important lacuna in the literature.

Specifically, we propose that the analysis of international entrepreneurship can best be carried out by considering four distinct levels—the entrepreneur, the firm, the country and the world society. To date the much work has dealt with the first two—the entrepreneur and the firm. Although these are critical components the study of entrepreneurship, the other two levels are equally critical. In order to broaden our theoretical and conceptual knowledge about international entrepreneurship, it is essential to consider entrepreneurial structures and behavior in this wider setting since each level influences and is influenced by the others. In this way it becomes possible to analyze individual actions and motivations as well as to understand the ways in which they are constrained and enabled by the wider environment since, what is constant across each of these levels is the embedded nature of entrepreneurial behavior.

Current research in institutional theory is especially relevant in this regard for it has demonstrated that actors are not just constrained by their external environment, but rather they are able to shape that environment as well. Entrepreneurs and entrepreneurial firms are constantly negotiating the interaction between their environment and their behavior. Accordingly, understanding the role that institutions play in international entrepreneurship, both the more visible regulatory and legal institutional processes as well as the less prominent socio-cultural mechanisms, is essential for theoretical development.

However, such an approach is not without its limitations and there have been several critical reviews of the institutional theory literature (cite). This assessment usually falls in to two categories (1) that the variables do not adequately test the processes that are at work and (2) that unexplained heterogeneity is the cause rather than the stated “institutional” processes and mechanisms. As a result, such studies need robust empirical testing with systematic data that allows the exploration of these issues. This type of data may be difficult to obtain. Moreover, conducting these types of studies in cross-cultural environments will be extremely challenging. As a result, one outcome may be that the studies may suffer from sample selection bias. Furthermore, these types of studies may lose the rich detail that makes such research compelling. In particular the two levels that research in this area typically focuses on, the entrepreneur and the firm may be passed over. However, these limitations should not deter such research from going forward.

Future research could identify the important processes (at each level) that directly influence the number and type of firms founded in various contexts. For example, at the entrepreneurial level, research could examine the ways in which training programs influence the number of entrepreneurs in particular settings. At the firm level, one could identify specific processes and examine their influence on firm performance. At the country level, researchers could examine the role that mechanisms that lead to particular regulatory actions that impact, positively or negatively on entrepreneurship. And, at the world system level, one could track the ways in which linkages between states influence entrepreneurial behavior.

Although conceptually distinct, it is difficult to differentiate these levels empirically. Accordingly, much of the research in this area will have to encompass all levels of analysis. For example, research might track the effects of an increase in entrepreneurship in one country on the rise of entrepreneurial behavior in other, linked countries, and the processes that have led to this change which encompass all the four levels that have been discussed. Despite the obvious difficulties, this type of research holds much promise, not only for scholars, but for practitioners as well.

Practitioners will benefit from this research if it produces an understanding of the various mechanisms that lead to certain outcomes. Doing so would enhance the ability of practitioners to assess specific environments or countries. Rather than focusing just on traditional measures of political risk or cultural similarity, the practitioners would be aware of the mechanisms that lead to particular outcomes in particular environments. Hopefully, as a result of these insights, they would evaluate opportunities differently. Additionally, they would be able to develop strategies to influence specific mechanisms and processes to obtain desired outcomes. Such a result would obviously lead to higher rates of success for both new and established entrepreneurs.

Entrepreneurs would also benefit from the enhanced awareness of policy makers concerning these factors. Such new knowledge has implications for the policy arena because policy makers would better understand the underlying factors that shape behavior. Given the global emphasis on entrepreneurship as a driver of economic development, policy makers concerned with its promotion would be able to adopt new rules, regulations, and policies to facilitate the tasks of entrepreneurs and minimize the varied and complex risks and challenges that they face.

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