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Institutional judo: how entrepreneurs use institutional forces to create change

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Abstract

Purpose – The purpose of this paper is to examine an entrepreneur's attempt to gain legitimacy and change institutions in a multiple institutions setting.
Design/methodology/approach – The authors conducted a qualitative case study to track an entrepreneur's efforts to create a new financial instrument and get it accepted and traded on the New York Stock Exchange.
Findings – The authors introduce the concept of institutional judo, analogous to the martial art where a fighter uses his opponent's forces against him. While institutional theory has focussed on how institutional pressures force actors to conform, the term judo refers to an actor using institutional pressures to their advantage in changing those very institutions.
Research limitations/implications – This qualitative research involves a single case study, but is most suited to revealing extensions of theory and subtle processes.
Practical implications – The approach allowed the authors to provide a nuanced look at the actual change efforts by an entrepreneur to gain legitimacy.
Social implications – This study provides a nuanced look at actual attempts to change institutions.
Originality/value – Institutional judo offers a new change mechanism within institutional theory.

Keywords Entrepreneurship, Institutional change, Legitimacy, Institutional theory
Paper type Research paper

Introduction

There is growing interest in the nexus of institutional change and entrepreneurship. This qualitative study explores how one entrepreneur attempted to "gain much-needed support and legitimacy" (Cornelissen and Clarke, 2010, p. 539) in the process of legitimizing a new venture (Ahlstrom and Bruton, 2001; Aldrich and Fiol, 1994), in this case, a new type of financial instrument to be traded on the New York Stock Exchange (NYSE). We combine a case study method (Yin, 1984) and narrative analysis (Pentland, 1999) to understand the process of legitimation in a multiple institutions setting (cf. Koene, 2006). Focussing on the actual conduct of institutional work (Lawrence and Suddaby, 2006), we provide a much more micro, practice-oriented (Jansson, 2013; Jarzabkowski, 2005), highly contextualized examination of the entrepreneurial process (Jennings *et al.*, 2013, p. 2).

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A crucial part of the entrepreneurial process is legitimizing a new venture (Ahlstrom and Bruton, 2001; Aldrich and Fiol, 1994). Although this research has imported concepts from institutional theory in recognizing that entrepreneurs are both constrained and enabled by the institutions in their environments (Bruton *et al.*, 2010), it has made conceptual advances over institutional theory by focussing how entrepreneurs manage to change institutions without reifying the image of powerless actors embedded within networks and institutions. Our study took a multiple institutions perspective, departing from much of institutional research that examines change agents as constrained by and embedded in a single institution. Our approach allowed us to provide a rare and nuanced look at the actual change efforts by an entrepreneur to gain legitimacy. The question that guided our analysis was: how do entrepreneurs gain legitimacy for their ventures as agents embedded in multiple institutions?

We identified a new legitimation strategy we called "institutional judo," a tactic different from those described in the entrepreneurship literature to date, such as bricolage (cf. Baker and Nelson, 2005; Garud and Karnøe, 2003), effectuation (Sarasvathy, 2001), or the strategies outlined by Suchman (1995). Our subject sought to gain legitimacy in one institution with the expressed intent of gaining legitimacy in other institutions. He sought legitimacy in almost any legitimate stock exchange, and then relied on institution-to-institution mimetic pressures to gain legitimacy in more prestigious stock exchanges. Our entrepreneur attempted to create change within a "decoy" institution, knowing the "target" institution may mimic the practices of the "decoy" institution. We use the metaphor of judo (a martial art where one uses the opponent's own forces against them) because this legitimacy gaining strategy involves intentionally bringing the unconscious "forces" of one institution to bear on another institution. While institutional theory has focussed on how institutional pressures make actors conform, the term judo refers to an actor using institutional pressures to their advantage in changing those very institutions. In our case, an agent embedded in one institution intentional relied on trans-institutional isomorphic pressures to gain legitimacy in their target institution.

This finding is counter-intuitive to existing understandings that assume institutional change occurs through various types of resistance to institutional pressures (Oliver, 1991, 1992). In our setting, the actor did not resist institutional pressures; but rather, relied on them to facilitate institutional change efforts. Our case analysis revealed that legitimacy-seeking not only involves intentional and purposeful action but also relies on "undirected" isomorphic change, leveraging the taken-for-grantedness of institutional norms. Our research also presents a more nuanced account of the work done by an entrepreneur to change institutions, contributing in this case to the interplay of institutional change, strategy as practice, and entrepreneurship. We were able to capture unsuccessful attempts and adaptive strategies of the entrepreneurial process in a natural setting, which has been elusive in research to date (Dimov, 2007). We bridge the institutional and entrepreneurship literatures to extend our understanding of gaining legitimacy, and problematize the concept of embeddedness. We resist oversimplifying the structure-agency debate, which depicts actors either as "cultural dopes" trapped in a single institutional arrangement or as hyper-muscular entrepreneurs moving above the fray (Greenwood *et al.*, 2008; Suddaby, 2010). Instead, we describe a more complex, savvy institutional actor, who recognizes they are constrained by, yet also relies on, multiple institutional pressures in pursuing institutional legitimacy.

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Theoretical perspectives

Institutional contexts are complex, and there are occasions where the institutional structures pressure and constrain actors and occasions when actors are able to change institutional structures or practices, often simultaneously. These institutional work efforts occur in a multiple institutions environment (Kraatz and Block, 2008). An institutional work perspective focusses attention on the creation, maintenance, or change of institutions (Lawrence and Suddaby, 2006). Such institutional change efforts overlap with institutional entrepreneurship (DiMaggio, 1988), which involves an actor's efforts to create new institutions or to transform existing ones' (Maguire *et al.*, 2004, p. 657). The aim in either perspective is to gain institutional legitimacy for the newly created forms (Aldrich and Fiol, 1994). And both face the challenge of embedded agency, where agents mired in an institutional setting struggle to change the very institutions pressuring them to conform (Holm, 1995; Seo and Creed, 2002).

Gaining legitimacy

Entrepreneurs attempt to gain legitimacy for their new ventures to compete for market resources (Adlrich and Fiol, 1994; Lounsbury and Glynn, 2001), but in order to survive, organizations must conform to various pressures in an institutional environment (Bitektine, 2011; DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Scott, 1995). If they do so, organizations will be seen as legitimate or socially accepted (Bitektine, 2011; Suchman, 1995). Legitimacy is conferred upon organizations that conform to normative expectations, adhere to formal regulations, and even mimetic tendencies to behave like other firms in the environment. Suchman (1995) said most organizations gain legitimacy through conformance, but we believe institutional judo is an example of manipulation, which receives little attention.

Entrepreneurship studies have focussed on cognitive legitimacy, which describes how well a new venture is understood by stakeholders. Entrepreneurs gain legitimacy by placing their new ideas within stakeholders' existing understandings (Cornelissen and Clarke, 2010). Cognitive legitimacy is the most subtle and powerful legitimacy dimension because attaining it grants a venture a "taken-for-grantedness" where stakeholders view it as a viable (Nagy *et al.*, 2012). Research has explored occasions when entrepreneurs lack the legitimacy to change institutions (Ahlstrom *et al.*, 2007).

Institutional work. The creation of new institutional forms, like the innovative financial product in our case study, is at the core of institutional theory (Scott, 2005). Eisenstadt (1980) first used the notion of institutional entrepreneurship to describe actors leading, creating, and shaping change. DiMaggio (1988) discussed institutional entrepreneurship to highlight the importance of understanding agency. The subfield of institutional work focusses on agency and explores how actors create, maintain, and change institutional structures (Lawrence and Suddaby, 2006; Zietsma and Lawrence, 2010). Institutional work includes "the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions" (Lawrence and Suddaby, 2006, p. 215) and redirects our research focus toward the ways that actors affect institutions instead of how institutions control actors (Lawrence *et al.*, 2011). Institutional work and institutional entrepreneurship share a focus on institutional change, a focus on agency and process, and the embeddedness paradox in institutional change.

Institutional theory has offered two accounts of the creation of institutions (Scott, 2008). On one hand, institutions emerge from collective sense-making and problem-solving

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behaviors in a natural, undirected process. The agency that creates institutions is not purposeful, intentional, or interest based, reflecting the taken-for-grantedness of institutions (Zucker, 1977; DiMaggio and Powell, 1983). On the other hand, more recent views recognize that institutions are the intentional, purposeful creations of conscious actors involved in political efforts to accomplish their goals (DiMaggio, 1988).

One of the key premises in institutional theory is that to understand agency, we must understand the environment(s) in which that actor is embedded (e.g. Barley and Tolbert, 1997). Scholars refer to these environments as institutionalized domains (DiMaggio, 1988). These institutionalized domains can vary depending on the degree to which patterned behaviors (i.e. social norms, rules, and laws/regulations) are deeply embedded in a social system, are more objective and stable in nature (Berger and Luckmann, 1967; Tolbert and Zucker, 1996), and widely shared within the institutional environment. When institutionalization is high, so is resistance to change (Zucker, 1977). Analyzing financial market behavior, Zajac and Westphal (2004) show the influence of the level of institutionalization on the value new of practices and their adoption as legitimate.

The embeddedness paradox asks: if actors are embedded in an institutional field and subject to regulative, normative, and cognitive processes that structure their actions and which may be taken-for-granted, how are they able to envision new forms and get others to adopt them (Garud *et al.*, 2007). Actors are unlikely to deviate from what is prescribed by the institution (Meyer and Rowan, 1977). In short, actors are pounded into conformity by the very institutions they are meant to change. Researchers have called for more inquiry into how actors manage agency given institutional embeddedness (Battilana and D'Aunno, 2009). Our study revealed new avenues in this regard.

A multiple institutions perspective. Driven by our complex research context, we took a multiple institutional perspective, recognizing actors operate in many institutions simultaneously (cf. Koene, 2006). A conception of agency that refers only to social position with a single institution, although relevant, provides a simplistic picture of agency. Institutional pluralism (Kraatz and Block, 2008) notes that actors are located at the intersection of multiple institutional environments, which create competing demands, where actors respond locally, creatively, and reflexively (Lawrence *et al.*, 2011). Therefore, theoretical and empirical effort should aim at uncovering the mechanisms by which an actor can exert agency in a multiple institutions context.

Holm (1995) saw institutions as nested systems that are interconnected, where each action-level serves as a framework and product of actions. Although there have been some attempts to understand the interconnected character of social systems (e.g. Holm, 1995; Kraatz and Block, 2008; Purdy and Gray, 2009), the idea of nested systems and multilevel approaches overlooks influences between separate institutions. Research to date assumes vertical connections but tends to forget transversal connections. Any conception of agency that refers to social position within a single institution, although relevant, provides a simplistic picture of agency. As a result, an approach that takes into account more horizontal connections between different institutional environments as well as individual actors' strategies that go beyond positions in a particular social structure warrants further analysis.

Methodology

We combined narrative analysis and a case study to produce a process theory (Langley, 1999; Pentland, 1999). A narrative approach shares important properties with process research. Narrative data are sequenced in time, have a focal actor, reveal values

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and assumptions, and describe characteristics of the context in which the focal actor is working. Pentland (1999) shows how narrative data can be used to build process theory by moving from text to a description of the overall generating mechanism involved in a process, for example, by moving from an account of a subject's hiring to a description of the overall recruiting process.

Langley (1999) describes an emergent research design for process theory that relies on fine-grained qualitative analysis to extract theory grounded in data. Data can involve multiple levels and ambiguous boundaries, such as multiple, overlapping institutions. Process research can reveal the cognitions and emotions of individuals as they interpret and react to events, processes involving opposing forces, and non-linear relationships while retaining richness, dynamism, and complexity (Langley, 1999). To take a narrative approach, Langley suggests a rich case study to reveal stories, mechanisms and meanings related to processes as well as temporal bracketing to decompose a case study into phases.

Single qualitative case studies are powerful because they can offer rich, in-depth, and much more nuanced understandings of social phenomena (Dyer and Wilkins, 1991), and exemplar case studies like ours are particularly useful and appropriate in building or extending theory (Eisenhardt, 1989). Institutional changes over time and are best revealed through case study research (Barley, 1986; Townley, 2002; Yin, 2009). Several case studies have revealed institutional work and/or institutional entrepreneurship (e.g. Goodstein and Velamuri, 2009; Kisfalvi and Maguire, 2011; Maguire and Hardy, 2006; Mutch, 2007; Munir and Phillips, 2005; Perkmann and Spicer, 2007).

Case study

Our case involves the creation and introduction of a new type of financial instrument. Bob Drummond (pseudonym) has the intention to get Royalty Exchange Contracts (RECs), traded on the NYSE. RECs entitle holders to a percentage of annual revenues, as opposed to a share of the firm's total value. For firms that do not want to issue stock or go public, it gives them a more flexible way to raise capital. This financial instrument poses unique challenges because its adoption and implementation implies a change in the financial system and a possible new classification of financial instruments, which are mainly equity and debt models. Also, in order for this financial instrument to succeed, other actors beyond our entrepreneur would need to adopt this type of instrument. Thus, Bob needed to gain legitimacy for this new product so that it would be accepted in financial institutions like the NYSE. Our aim was to capture and analyze the actual institutional change efforts of an entrepreneur. We explored not only actions performed by Bob (the actor), but also described the multiple institutional contexts in which the actor is embedded.

Bob Drummond is a well-known actor in the financial sector, affiliated with financial markets for almost 60 years. Through various businesses, he has either held memberships in, or advised large exchanges like the NYSE as well as regional exchanges like the American, Midwest, Pacific Coast, Detroit, Boston, Philadelphia, Bangkok, etc. He has founded securities and commodity trading companies. He has written books, columns, and published a business magazine. Bob's latest venture, introducing RECs, provides private companies a means to get capital to grow their businesses without the hassle of issuing publicly traded stock:

> I would like to help companies have a mechanism for funding which is not in use today, and the absence of this mechanism retards the growth of so many privately held companies.

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Research setting: a multiple institutions context

Global financial capital market

There have been three institutional changes to the financial capital markets that impact whether Bob's new instrument, the REC, will be adopted. The first change is the adoption of new stringent legislation enacted in the USA to regulate public companies' corporate governance and trading activities. In 2002, the Sarbanes-Oxley Act put in place new auditing regulations and expanded repercussions for fraud by making CEOs and CFOs legally liable for the accuracy of firms' financial statements. In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law, allowing the Federal Reserve to regulate investment capabilities of companies other than banks. The stringent regulatory requirements from these laws have decreased the attractiveness of listing on stock exchanges in the USA (Blume, 2006). Second is the trend of exchanges moving from membership-based non-profit organizations to for-profit organizations. Third, online trading platforms are now the standard for stock exchanges worldwide.

Meso-institutional financial exchanges

Financial exchanges vary by the types of financial instruments they list and the criteria they use to allow instruments on the market. For example, the NYSE only sells basics instruments like stocks, bonds, and REIT's while other exchanges like the Chicago Mercantile Exchange (CME) offers a variety of financial instruments like futures and options in interest rates, energy, and even the weather. Table I provides the types of financial instruments listed the NYSE, Singapore Exchange, Toronto Exchange, and online exchanges, as well the listing requirements of each exchange. Trading volume requirements and firm size vary by exchange.

Data collection

We conducted a series of interviews and collected data from multiple archival sources. We also observed Bob pitch his new product. Our direct contact included face-to-face interviews, informal conversations, a recorded videoconference interview, and correspondence over e-mail. After an informal initial meeting, we conducted two formal face-to-face interviews that each lasted over two hours. These ethnographic interviews (Spradley, 1979) explored the actions he took in attempting to gain legitimacy for the new financial instrument. We wanted to reveal the underlying logics at play and how those logics guided (both enabled and constrained) his actions. In addition to generating an account of various events and actions (by Bob, institutions, and others), our qualitative interviews were intended to reveal implicit norms, assumptions, and understandings.

The archival data included press releases, news articles, news interviews, product details, video recordings, transcripts of presentations, and other publications. We searched these documents for explicit institutional logics and efforts to legitimize the instrument. This was similar to document analysis of rhetorical strategies in research conducted by Suddaby and Greenwood (2005) to examine institutional change efforts. Our analysis also included hundreds of documents from various stock exchanges.

Finally, we had engaged in frequent e-mail correspondence (30 unique e-mails, not including short replies) over the course of two years to ask additional questions, clarify events, and check informant interpretations. E-mail exchanges provided just as much information as the face-to-face interviews and produced rich data. In all exchanges,

	NYSE Euronext	Singapore	Toronto	(Electronic)
Types of instruments and services	Traditional securities and derivatives	Traditional and exotic securities, derivatives, commodities, and clearing services	Traditional securities for public companies and ventures	Traditional and exotic securities and derivatives of private companies
Risk of exchange	Conservative	Innovative	Innovative	Innovative
Min. market cap.	$500 million	$80 million	$50 million	None
Pre-tax profit requirements	Non-US companies: Aggregate pre-tax income of $100M worldwide and $10M domestic for the last three years and minimum pre-tax income of $25M worldwide and $2M domestic in each of two preceding years OR Aggregate pre-tax income of $12M for last three years and minimum pre-tax income of $5M in the most recent year and $2M in the next most recent year US companies: Aggregate pre-tax income of $10M for the last three years and minimum pre-tax income of $2M domestic in each of two preceding years OR Aggregate pre-tax income of $12M for the last three years and minimum pre-tax income of $5M in the most recent year and $2M in the next most recent year	Cumulative consolidated pre-tax profit of at least $7.5M for the last three years, and a minimum pre-tax profit of $1M for each of those three years, OR Cumulative consolidated pre-tax profit of at least $10M for the last one or two years	Net tangible assets of $2M, EBIT from ongoing operations of at least $200K in the immediately preceding fiscal year, pre-tax cash flow of $500K in the immediately preceding fiscal year, and adequate working capital to carry on the business and an appropriate capital structure	Varies by site
Cost to list	Minimum: $125K, maximum: $250K	Minimum: S$3K, maximum: S$10K	Public Co.: $10K -$200K, Ventures: $7.5K -$40K	n/a
Size of membership	NYSE Euronext's annual trading licenses are available for all accredited investors at a cost	57 firms	110 firms	Varies by site

Sources: NYSE Euronext, London Stock Exchange, Singapore Stock Exchange, Toronto Stock Exchange, and electronic exchanges

Table I.
Financial exchanges

we made it a point to capture Bob's underlying logic by encouraging him to express both his actions and intentions, getting him to describe what he hoped would happen, what actually happened (verified independently where possible), and his assessment as to why.

All of our data collection focussed on a timeline of events and his efforts in getting the RECs listed on the NYSE. We captured any institutional change efforts, whether they were successful or not. We asked questions like, "What did you do next?,"

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"What happened?," "Why did you think that would work?," and "What was it that you were up against?" We were attempting to elicit the cognitive processes as well as catalogue the institutional pressures that he felt constrained his attempts. All of the researchers agreed that Bob appeared genuine in describing the gap between his intentions and events and his understanding as to why his attempts have not led to desirable outcomes. We also conducted a member check (Lincoln and Guba, 1985) to make sure we understood the subtleties of his actions and their meaning. In general, our data collection focussed on eliciting the deep structures and implicit meanings (Suddaby and Greenwood, 2005).

Data analysis

In analyzing the data, five researchers went through the interview transcript and e-mail exchanges independently and coded for meanings that comprised institutional logics or attempts to gain legitimacy. For example, one institutional work effort (a single action to attempt change) might be guided by institutional logic that recognized a constraint as well as agency to accomplish a more general aspiration.

We seek to provide an empirical illustration of a small slice of all the institutional work that goes into creating and legitimizing a particular institutional form (the new financial instrument). To do so, we highlight just a few of the more poignant institutional regulations or norms that enabled or constrained Bob's actions. We relied on multiple sources of documentation to triangulate and strengthen our analysis (Eisenhardt, 1989; Yin, 1984).

The new financial instrument: RECs

Bob calls the new, innovative financial instrument a REC. Instead of selling shares of the company to investors, a percentage of future revenues is sold. The REC is innovative because it provides a new way for firms to raise capital. When firms issue RECs to raise capital (instead of issuing stocks or taking out loans) it avoids debt, interest, equity dilution, outside directors, shareowners, and public company reporting requirements. Bob expressly introduced RECs as a new mechanism for private companies to raise capital without the burden of regulatory disclosures. With an REC, the only thing private companies have to report is revenue. For investors, RECs offer more predictable returns than equity.

Once Bob obtained a patent for the RECs, a legitimizing factor, he began his attempt to introduce the new instrument based on a strategy that previously worked for him. In the early 1970s, Bob created stock index futures and refined petroleum product futures. After an unsuccessful initial attempt to list those two instruments on the largest commodities exchange market at the time, the CME, Bob listed them on the Amsterdam Exchange. Once the instruments gained enough trading volume on the Amsterdam Exchange, those instruments gained the attention of the CME, who accepted and listed the previously rejected instruments. They were legitimized within a larger institution.

It was out of that previous ad hoc experience in the 1970s that Bob now intentionally sought to use the legitimacy granted by one institution (a decoy institution, if you will) with the expressed intent of gaining legitimacy in another institution (the target institution) which will eventually accept the new practice/instrument (see Figure 1 for a comparison of the two processes). Discussed below, we coin this legitimization strategy "institutional judo" because he is using the weight of one institution to pressure change in another institution. In institutional theory terms, he is counting on institution-to-institution mimetic pressure to attain legitimacy for his new instrument.

Targeting the NYSE

The NYSE began in 1817 as a membership-only organization, joined by purchasing one of the existing 1,366 seats. In 2006 the NYSE made a drastic change by going public itself and becoming an electronic exchange. Today, the NYSE has one of the highest volume and financial requirements of all the exchanges. The size and prestige of the NYSE make it a sought-after exchange by firms and trusted by investors.

Based on past experience, Bob projected the NYSE would not list his latest financial instrument without a demonstrated trading volume. Bob needed a "demonstration site," or what we have referred to as a decoy institution. He also knew other exchanges were more open to innovation. In particular, the Singapore Exchange is an exchange that emphasizes innovation, low costs, and a broad selection of financial instruments. Bob chose to pursue listing RECs on the Singapore Exchange, where attaining legitimacy seemed promising.

The Singapore Exchange has legitimacy as the fourth largest financial center in the world (after London, New York, and Tokyo) and a reputation as a trusted financial market that lists innovative financial instruments (Hew, 2002). Upon examining the members of NYSE and Singapore Exchange, we found that over one-third of the 57 member firms at Singapore Exchange are also members of NYSE. This illustrates the horizontal interconnectedness of financial exchanges (e.g. Kraatz and Block, 2008; Purdy and Gray, 2009; Zajac and Westphal, 2004) and qualifies Singapore Exchange as an alternative, existing exchange for Bob to introduce his new instrument; a decoy institution. The shared membership between the NYSE and Singapore Exchange would likely influence diffusion of the instrument across those institutions. The Singapore Exchange agreed to list the RECs, but under one condition – exclusivity. For Bob, this condition was a deal-breaker as it would eliminate the eventual listing of RECs on the larger, target exchange (the NYSE). One option is to repeat the attempt to target the NYSE by first listing RECs on another exchange like the Toronto Exchange. Another option is to follow Barclay Global Investors' example of marketing electronic exchange-traded funds and start a new exchange. This means Bob would create a new electronic exchange to trade his new instrument, creating both a market and exchange for RECs. Bob's hope is that the volume of the electronic exchange would provide enough legitimacy for RECs, so that the NYSE would still eventually list them (Figure 2).

Findings and discussion

What emerged from the empirical data were an intricate illustration of an entrepreneur's attempts to gain legitimacy in the process of creating and commercializing a new venture.

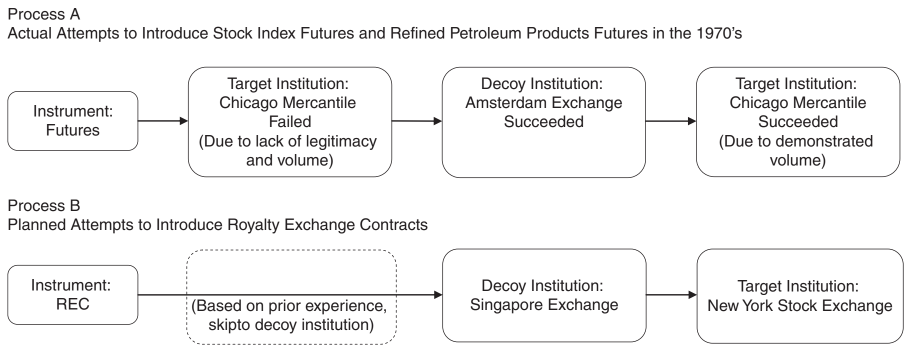

Figure 1. Entrepreneurial efforts (1970s vs planned)

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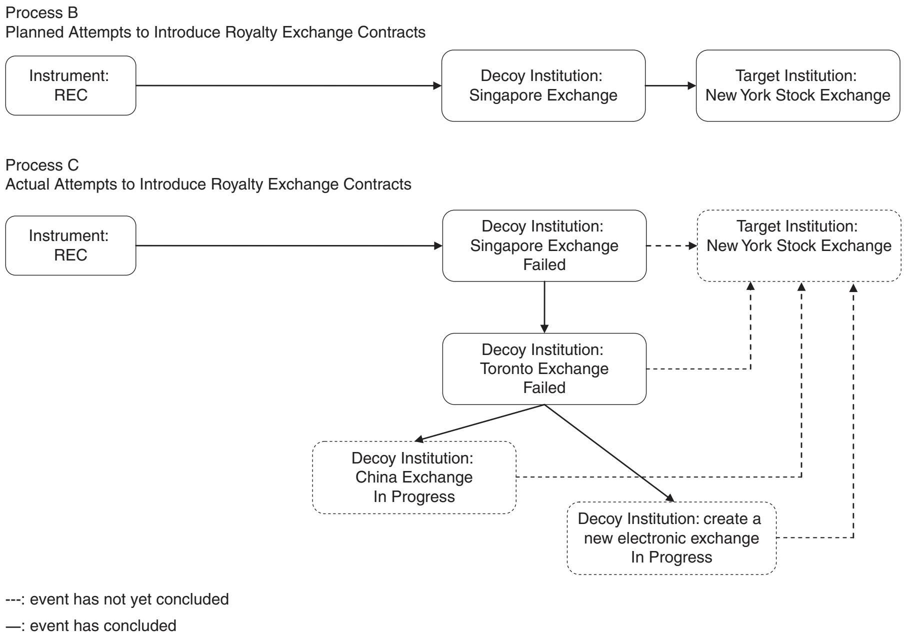

Figure 2. Entrepreneurial efforts (planned vs actual)

While many coincided with Suchman's (1995) strategies to gain legitimacy, new findings allowed us to extend theory and introduce a new legitimation strategy, institutional judo, where actors rely on institution-to-institution pressures to gain legitimacy.

The strategies employed below were pursued simultaneously. In institutional terms, Bob was demonstrating that his new venture was aligned with current institutional norms and practices. He used analogy to familiarize and educate stakeholders for his new financial instrument and gain cognitive legitimacy that is conferred upon a new venture when it is understandable and seen as viable by stakeholders (Bitektine, 2011). In public talks, with investors, or in meetings with decision makers determining whether his instrument would be allowed to be trade on an exchange, Bob often compared RECs to the idea of book royalties, where authors get a percentage of book revenues.

Gaining legitimacy through institutional judo

Previous literature suggests several strategies to gain legitimacy. Suchman (1995) offered three clusters of strategies at firm level: first, conform to the dictates of stakeholders within the current environment; second, select among multiple environments to pursue one that accepts a firm's current practices; and third, manipulate the environment by creating new stakeholders and/or beliefs. Manipulation is the least explored strategy in the literature to date. While could categorize institutional judo as a manipulation strategy since it changes beliefs about a new institutional form or practice, institutional judo differs from manipulation as described by Suchman (1995). "Institutional judo" is a strategy where embeddedness in one institution serves as a resource for change in another institution. Below we demonstrate how he conformed to one institution in selecting a decoy institution to grant him legitimacy, while hoping to manipulate another institution through mimetic tendencies.

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Phase 1: conforming to environments

As per Langley (1999), we decomposed our case study into three phases, demarcated by using Suchman's (1995) strategies for gaining legitimacy. In attempting to conform to NYSE, Bob knew the RECs did not meet the institutional norms regarding trading volume as indication of "an established record of consistent performance" (Suchman, 1995, p. 588). Bob could not show that the new form belonged to a recognized class or market category (Bitektine, 2011). He acknowledged he would not be able to achieve a direct listing, even though listing RECs on the NYSE was his ultimate goal.

Bob sought legitimacy by responding to stakeholders' substantive needs and tastes and conforming to established industry standards by filing a provisional US patent application on the REC. Patents have been shown to build reputation and promote legitimacy for products and for their developers (e.g. Deeds *et al.*, 1997; Deeds and Hill, 1996). He acknowledges the patent is primarily a means to legitimacy in the US institutions but merely symbolic for institutions in other countries:

> We could probably use our patent to discourage exchanges in the United States from picking it (the REC instrument) up unless they were licensed […] but there's nothing I can do today to prevent, for instance, the Frankfort Exchange from doing this in Germany. You know, it's a U.S. Patent, and I'm not going to pursue the filing of an international patent.

Phase 2: selecting among environments

After acknowledging that a direct approach to the NYSE was impractical, Bob relied on his past experience of listing refined petroleum product futures on CME by first listing with the Amsterdam Exchange. He chose a smaller yet appropriate exchange (Amsterdam Exchange) to act as a demonstration site to gain legitimacy and attract the interest of the larger exchange (CME):

> This process requires a rethinking of the investment process […] in 1972 we started something called the Forward Contract Exchanged Ltd. in Amsterdam for the trading of whole stock index futures. We traded the Dow Jones, we traded the S&P Index, and the Tokyo Dow. I had presented the idea to Chicago Mercantile Exchange, and they thought the idea was interesting but decided not to do it. I started Forward Contract Exchange, and the Chicago Mercantile Exchange decided somewhat later that this was a good idea.

Stated theoretically, he hoped that mimetic and normative institutional forces between the exchanges would encourage the larger exchange to adopt the new instrument the small exchange had granted it legitimacy:

> Something that is important to understand is that [every key player] is a member of all the exchanges. Goldman Sachs is probably a member of fifty exchanges. So, none of these things operates in a vacuum.

As different institutions share constituents and stakeholders, an actor who becomes embedded in one institution can easily change another institution, where they are not embedded, by relying on trans-institutional forces:

> [An] institution's gatekeeper, the portfolio manager or investment manager, is more [sensitive to] being embarrassed [over] a career-damaging event than losing money. He takes comfort from regulation, [assumes] less responsibility […] by investing in a contract or security traded on [another] exchange. So, it's the investment decision maker that I need to impress with the legitimacy and integrity and validity of the trading market we would hope to create.

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Therefore, to ensure institutional forces will function to his benefit, Bob needs to find an institution with integrity – but different from his target institution – where he may gain legitimacy for his instrument:

> I think that perhaps the difference [with stock exchanges today] would be that a higher level individual within the exchange would lean to someone whose name they know, rather than someone who they didn't know.

Bob knew his instrument had to be legitimized in one institution in order to achieve legitimation in another. Bob's reliance on existing forces between institutions to change an institution through trans-institutional mimetic pressure and is the point of departure from what Suchman (1995) described in selection. Instead of simply locating in a more amicable environment, "in which otherwise dubious activities appear unusually desirable, proper, or appropriate" (Suchman, 1995, p. 589), institutional judo requires locating at least two institutions, a target institution and a decoy institution.

Target institution. The NYSE is one of largest and most prestige exchanges in the world and, therefore, is one of the most sought-after exchanges by firms who hope to increase their visibility, marketability, and reputation (Baker and Johnson, 1990):

> There certainly is a pecking order that we use, the New York Stock Exchange would still be at the top of the list, even though it has become a for profit organization and it has lost a percentage of transactions [to electronic exchanges] […] They are perhaps one of the more difficult because they are at the top.

The NYSE is also known to be the most conservative – trading only traditional securities and derivatives, was slower than many other exchanges to adopt electronic trading (in 2006), suggesting that NYSE is less open to innovation than other exchanges.

Decoy institution. A decoy institution is what Schuman (1995) would call a more amicable environment that may grant legitimacy more quickly for the RECs. Bob had used a selection strategy in the past, not anticipating that another exchange would then grant his instrument legitimacy and agree to trade it. The CME listed Bob's instrument in the 1970s, but only after he got it onto the Amsterdam Exchange. Given that past experience, Bob's strategy was to select a decoy institution with the expressed intent of seeking legitimacy on another stock exchange. To duplicate this past experience, he wanted an exchange with enough respectability to be deemed legitimate by other institutions. This strategy is reflected in his choice for what he calls the demonstration site (a decoy institution) of the present-day REC:

> So I went to Singapore, number one because I wanted it for marketing purposes. It is the image of integrity it has over perhaps anywhere else in the world […] There are 150 stock exchanges around the world, with many in countries you've never heard of. It was the integrity and the discipline of Singapore that was attractive to me for marketing purposes as a monitored environment […] They [the NYSE] see Singapore as a legitimate exchange, with integrity being one of the principles of Singapore.

> It is the image of integrity it has over perhaps anywhere else in the world […] If I had a demonstration site, I would go to other areas in Southeast Asia, to Europe, the United States, all over.

Phase 3: manipulating institutions

Manipulation is relatively less common than either conformity or the environment selection strategy (Suchman, 1995). For entrepreneurs especially, gaining legitimacy

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through conforming to environments and selecting among environments will not suffice. Due to their distinctive needs, innovations require entrepreneurs to intervene in the environment pre-emptively and proactively in order to develop bases of support (Suchman, 1995; cf. Aldrich and Fiol, 1994; Tushman and Anderson, 1986):

> It will […] take a couple of million dollars to have knowledgeable people flying around the world describing benefits of royalties to security regulators, investment bankers, stock exchanges, insurance companies, banks, fiduciaries – there's a real marketing effort.

While building this type of cognitive legitimacy is crucial, institutional theories do not detail how such "evangelism" builds a winning coalition of believers and promulgates legitimacy.

Institutional work efforts to gain legitimacy. Since Singapore's exclusivity condition would ruin Bob's institutional judo plans to eventually attract the NYSE, Bob rejected Singapore's offer:

> The first hurdle [with Singapore] was the requirement that the exchange be government supervised, that it was government monitored. And I wanted a place where the government is business-focused. I would've given a license to Singapore so they could do anything, but they were afraid that they would be successful and I would go to other areas based on the success that they had and they would not benefit […] Singapore wanted an exclusive.

Bob's interpretation was that Singapore sensed that they might be used as a decoy institution, and that Bob would go on to list on other exchanges.

Bob shifted his efforts to gain legitimacy. He quickly turned to his next effort, highlighting a second option for decoy institution. Bob was still attempting a manipulation strategy to gain legitimacy on the NYSE by attaining legitimacy on some reputable exchange, and relying on the NYSE to take the legitimacy granted by the decoy exchange as a proxy for legitimacy on the NYSE:

> My first choice [after Singapore] would be for the Toronto Stock Exchange to say "yes, we will start a royalty trading segment of our exchange." Because they have x-thousand or x-hundred members, each of whom have client companies that need money, each of whom have investors looking to employ them, and that would be a far better solution than simply having a website where buyers and sellers could meet.

He felt the Toronto Exchange would also serve as a good decoy institution, but he had fewer personal and professional connections on the Toronto Exchange. He was not as embedded in that institution, which would make his legitimacy gaining efforts more difficult:

> However, if it was necessary to get it started through a website, then that is probably something I would do […] The alternative is to create an eBay of sorts where interested parties can meet and exchange. A place where people interested in selling a share of their revenue could meet those interested in buying a share of their revenue.

Implications and future research

One of the main implications of our research is that there may be more new strategies and tactics institutional entrepreneurs use to change institutions. We would also encourage a multiple institutions perspective and more inquiry into the ways that institutions affect one another.

Our findings have also problematized the embeddedness paradox, suggesting that conceptualizing actors as trapped in the very institutions they intend to change may

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have caused us to overlook some innovative practices in institutional change. Our subject was quite conscious about the interrelations between institutions, and how strategized ways that interconnectedness, rather than his embeddedness, might be used to enact change.

We would hope future research takes a process-orientation in conducting more qualitative research in both entrepreneurship and institutional theory to reveal more about subtle everyday practices of institutional entrepreneurs. We would also join calls for continued cross-over between entrepreneurship and institutional theory as a way to advance both fields. Our findings also suggest that we look at situations where actors manage institutional change despite appearing powerless or not being embedded in a particular institutional context. It is important to note that research has too often captured entrepreneurial or institutional change successes, but failed attempts may reveal even more these processes, such as how institutional pressures are too much for change agents or institutional entrepreneurs to overcome.

We believe there are also implications for research on strategy as practice (e.g. Jarzabkowski, 2005), which shares a focus on the nuance and process of strategy, and in general, the interplay between change, entrepreneurship, and practice research (Jansson, 2013; Jarzabkowski, 2005; Suddaby *et al.*, 2013). Our study revealed the actions of a practitioner strategizing institutional change, but we suggest entrepreneurs can be conceived as practitioners in terms of strategy as practice, which may be one answer to calls to combine strategy as practice and institutional change (Suddaby *et al.*, 2013). We foresee research at the intersection of strategy as practice, entrepreneurship, and change allowing researchers to untangle how practices at both organizational and field level regarding change through everyday interaction.

Conclusion

Our study revealed some interesting aspects regarding legitimacy and institutional change. One of the main contributions of this empirical study was the concept of institutional judo, which provides a nuanced description of what entrepreneurs actually do to gain legitimacy and change institutions (Suddaby *et al.*, 2013). Our study also answered calls for more qualitative and process-oriented research in both entrepreneurship and institutional theory, and applied a multiple institutions perspective (Kraatz and Block, 2008).

In institutional judo, rather than make an effort to resist institutional pressures, the actor counter-intuitively relies on institutional pressures, turning them back upon the institutions themselves in pursuing institutional change, hoping that legitimacy attained in one institution will result in legitimacy in multiple institutions through mimetic tendencies. We hope this enriches our understanding of both institutional entrepreneurship and institutional work by providing a nuanced description of what entrepreneurs actually do to gain legitimacy and manipulate institutions. It resists the notion that institutional actors are only conceptualized as constrained by the forces of a single institution, and recognizes that institutional entrepreneurs can perform institutional work without being conceptualized as either a cultural dope or hyper-muscular institutional hero (Greenwood *et al.*, 2008). We are hopeful that other examples may be found, and strategies revealed, where savvy institutional entrepreneurs not only resist the pressures to conform to institutions, but find ways to use their weapons against them.

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