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Strategies for Managing Institutional Pressures in a Turbulent and Dynamic Institutional Context

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Introduction

Middle Eastern and North African countries are generally characterized by relatively intense and persistent institutional instability. This is particularly Algeria's case, which has experienced an unstable institutional and political situation since its hard-earned independence in 1962. Undertaking entrepreneurial endeavors in this type of context is naturally arduous. So much so that private entrepreneurship is barely taking off

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and suffers greatly from this institutional instability. Institutional pressures, taking the form of contradictory prescriptions, are a regular feature of the institutional environment (Amrouni, 2019). This issue has been at the core of many research studies over the last few decades (Baba et al., 2021). Organizations' strategic responses to institutional pressures are an integral component of institutional theory (Micelotta et al., 2017; Quirke, 2013; Ramus et al., 2017). Institutional pressures can be defined as the set of demands, expectations, and requirements explicitly or implicitly formulated by various institutional actors to induce other actors to conform to specific rules, practices, norms, values, and beliefs.

Mainly motivated by the observation that organizations tend to adopt positions of retaliation or resistance rather than conforming to institutional pressures as posited by classic institutional theorists, the literature on this topic has undergone significant development. Overall, these studies have enriched our understanding of the origins of institutional pressures, the various strategies adopted by organizations, and the antecedents and outcomes of these strategies (Oliver, 1991; Suchman, 1995; Tian et al., 2009; Wijethilake et al., 2017). Nevertheless, entrepreneurs' strategic behavior when facing public authorities' institutional pressures has not received the attention required. Mainly fuelled by Western examples and phenomena, the extant research has mostly studied stable institutional environments, where actors' behaviors are relatively predictable and framed by well-established legal anchors. However, other—more turbulent and dynamic—institutional contexts, such as those in North African countries, can enhance our knowledge about how private entrepreneurs perceive, understand, make sense of, and respond to institutional pressures emanating from state structures. In this vein, the North African context is institutionally emergent insofar as the rules and regulations are still unclear and primarily informal, and the environment is both dynamic and turbulent. As a result, institutional pressures on companies are more substantial (Tian et al., 2009).

Thus, North Africa appears to be a suitable field to study the management of institutional pressures in an unstable and dynamic context (George et al., 2016). More generally, the African continent has been increasingly marked by significant social, economic, and political transformations over the past five decades (Kolk & Rivera-Santos, 2018).

These transformations have had a considerable impact on the way institutional and business actors interact, and at the same time, generate areas of uncertainty, tribulation, and contestation, revealing the extent of institutional complexity (Greenwood et al., 2011). Cultural and institutional patterns inherited from the colonization period amplify institutional complexity issues as actors work to find new arrangements consistent with emerging national values, cultures and norms (George et al., 2016). Moreover, the progressive liberalization of African economies, driven by critical socioeconomic needs, generates added tension between the historically centralizing administrative logic and the logic of private sector's entrepreneurial efficiency. This is calling for a redefinition of the traditional relationship between public authorities and private entrepreneurs.

Algeria, our empirical context, illustrates well these broader African institutional and organizational realities (McDougall, 2017). The emergence of the private sector in Algeria has been characterized since the 1980s by a substantial change in the relationship between private firms and the state (Hemissi & Hafsi, 2017; Martinez & Boserup, 2016). Since its independence in 1962, Algeria has adopted a socialist regime where the state is at the same time regulator, investor, entrepreneur, and producer of goods and services. However, successive socioeconomic crises have led to the gradual involvement of private initiatives to compensate for the increasingly wide gaps between the needs of the population and the public's means and capacities to deliver economic prosperity (Hafsi, 2012). The gradual liberalization of the market and the increasing role of the private sector have generated major conflicts between public authorities and private entrepreneurs, especially since the 1990s. Increasing complexity and disputes, which have reached their peak in the early 2000s, have intensified again since the 2010s, with significant institutional pressures on entrepreneurs. Difficult access to industrial land, blackmail and corruption, punishing licensing and authorization systems, and media controversies, characterize the state–private entrepreneurs relationships.

With this background in mind, this chapter focuses on a simple yet intriguing and overlooked research question: *how do private entrepreneurs make sense of and strategically respond to institutional pressures in a*

turbulent and complex institutional environment? To sketch some answers to this question, we study the strategic responses of four Algerian entrepreneurs using a qualitative methodological approach.

Theoretical Background: From Institutional Complexity to Institutional Pressures

Pioneering work in institutional theory emphasizes the homogeneity of organizational forms, structures, and behaviors (D'Aunno et al., 1991; Deephouse, 1996). Institutional pressures that actors face lead them to conform to increase their legitimacy, a critical condition for access to resources and survival (DiMaggio & Powell, 1983; Elsbach & Sutton, 1992; Suchman, 1995). The continuous quest for legitimacy is the basis of institutional isomorphism, defined as “a constraining process that forces a unit of a population to resemble other units facing the same set of environmental conditions” (DiMaggio & Powell, 1983: 149). In contrast to the institutionalist tradition, Oliver (1991) argued that organizations could respond more strategically to institutional pressures and somewhat depart from outright conformism.

In her theoretical article, Oliver (1991) identifies five strategies that actors can adopt to respond to institutional pressures: acceptance, compromise, avoidance, confrontation, and manipulation. She predicted the use of these strategies based on organizational and contextual backgrounds. Isomorphic behavior is stimulated by the need to improve actors' socioeconomic situation, or their dependence on the source of institutional pressures. It may also be a logical response to contradictory or inconsistent institutional pressures, their conflict with the actor's objectives. It can also be affected by the binding or non-binding, voluntary or coercive nature of the pressures, and the degree of uncertainty and interdependence that characterizes the institutional field (Oliver, 1991: 160).

Empirical research has tested and contextualized Oliver's hypotheses (see Tian et al., 2009). The literature has also focused on contradictory pressures in the context of institutional complexity (Seo & Creed, 2002). Institutional complexity, we said, can result from conflicting or

ambiguous institutional demands. The literature suggests that institutional complexity exposes actors to conflicting institutional demands and requirements (Greenwood et al., 2011; Raaijmakers et al., 2014), blurring the trajectories by which organizations can reasonably respond and maintain legitimacy (Kostova & Zaheer, 1999; Pache & Santos, 2010).

Nevertheless, despite its quantitative and qualitative development, the literature on strategic responses to institutional pressures remains partial for four main reasons. First, actors' strategic behaviors are assumed to be *de facto* reactive. Organizational intentions and strategies to influence the source of institutional pressures are overlooked. At least anecdotal evidence shows that firms may go beyond the survival strategies evoked to actively manage institutional pressures, influencing their source or changing their nature. A relational approach, based on the way actors manage their relationships with the sources of pressure, is thus a promising avenue.

Second, the literature considers that dependence on the source of institutional pressures mainly favors acceptance and compromise strategies. We know that when institutional pressures are characterized by force and coercion, the target seems to have no choice but to comply (Lawrence et al., 2001). However, actors' responses to coercive institutional pressure (such as those from public authorities) are poorly documented (Raaijmakers et al., 2014). Even though actors' dependence on institutional pressure sources is a determinant of strategic responses, this aspect received little attention in the literature, even when the actors' dependence is very strong.

Third, in the study of strategies used by actors to respond to institutional pressures, the importance of actors' interpretations of the pressures imposed upon them remains marginalized (Raaijmakers et al., 2014). Yet, the literature shows that institutional actors interpret, analyze and make sense of institutional pressures (Dhalla & Oliver, 2013; Oliver, 1991), which greatly influences their motivations and management strategies. For example, Berrone et al. (2010: 82) suggest that family firms tend to respond to institutional pressures to preserve their social-emotional wealth.

Finally, the fourth limitation is empirical. Despite a few exceptions (He et al., 2007; Tilcsik, 2017), the literature on institutional pressures have mainly examined Western cases with relatively stable, predictable,

and mature institutional contexts (Greenwood & Suddaby, 2006). In contrast, emerging institutional contexts, such as the African context, have been little studied and this is true for management in general (George et al., 2016; Kolk & Rivera-Santos, 2018). This biases our understanding of strategic responses to institutional pressures to the extent that institutional fields are the predominant source of pressures for institutional compliance (Zietsma et al., 2017). The nature and extent of institutional pressures depend significantly on the institutional context in which they take shape. However, emerging institutional contexts are rather unstable, unpredictable, and turbulent (Lawrence et al., 2002; Maguire & Hardy, 2009). In the case of Africa, the state and in general state-related actors are dominant in institutional dynamics. Thus, the study of emerging institutional contexts is likely to generate new insights and can enrich our understanding of how organizational actors interpret and respond to institutional pressures.

Taken together, these theoretical considerations lead us to focus more on how entrepreneurs manage institutional pressures from the state in a volatile and complex institutional context. In this chapter, we conceptualize institutional pressures from the perspective of institutional complexity (Ramus et al., 2017; Smets & Jarzabkowski, 2013), understood as a situation of conflict and opposition between several institutional logics. Institutional logics represent “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton & Ocasio, 1999: 804). We thus recognize an administrative logic, adopted by public authorities, and a more entrepreneurial logic, to which private entrepreneurs adhere. When these logics come into confrontation, they can generate revealing behavior, strategies, and practices. This chapter intends to reveal these and contribute to the understanding of both state and firm practices in complex institutional settings.

Methods

Research Design

To investigate the strategies used by Algerian entrepreneurs for managing institutional pressures in a turbulent environment, we made three specific methodological choices. First, we adopted a qualitative approach because of its usefulness in exploratory research. It allows researchers to explore, analyze, and understand the motivations, perceptions, and strategies deployed by social actors to propose theories (Patton, 2002). Second, our study is process-based, focusing on “how and why things emerge, develop, grow, or terminate over time” (Langley et al., 2013: 1). Finally, four revealing case studies were selected in our multi-case study (Yin, 2003). They describe four Algerian SMEs chosen from a panel of family businesses. In particular, we focused on the behavior of the entrepreneurs leading these firms. Considering the data’s sensitive nature, we anonymized these firms in relation to their strategic behavior toward the state. In what follows, we shall talk about Lion, Fennec, Chameleon, and Duck.

Data Sources

We collected primary and secondary data for the four organizations studied to ensure data triangulation and our research quality. The data was progressively collected between 2007 and 2018. The primary data is based on 60 semi-structured interviews conducted with executive teams, including the founding presidents, the chief executive officers, and board members. Semi-structured interviews were also conducted with senior Algerian state officials, including heads of regulatory agencies and senior officials in ministries directly involved in economic and business activities. Concerning secondary data, numerous press articles were sorted and analyzed from Algeria’s leading electronic media.¹ In sum, our immersion in the organizational contexts studied started in 2007 and was going on while writing this chapter. This has provided a unique and in-depth perspective on the issues studied.

Data Analysis

The collected data were analyzed in an abductive manner (Patton, 2002) by comparing the preliminary results from our data with strategies and tactics discussed in the literature on an ongoing and iterative basis. This continuing and iterative process between our data and the literature allowed us to propose an interpretive framework that gives structure and meaning to our data. This framework is based on two particular factors related to strategies for managing institutional pressures: the degree of proximity of the organization/entrepreneur with the state (complicity or adversity) and the strategic posture (or strategic modes) of the organization/entrepreneur towards institutions (preserving the status quo to increase acceptance or reforming institutions through institutional work).

Analysis: Strategies for Managing Institutional Pressures in State-Business Relations in Algeria

The complexity of the Algerian institutional context, we said, translates into survival issues for entrepreneurs and SMEs. In this vein, they must continuously develop strategic approaches to avoid or mitigate institutional pressures. The analysis section presents these approaches by distinguishing (a) the actors' motivations, (b) their approach, and (c) the outcomes. Our empirical analysis of the four entrepreneurs allows us to distinguish two strategies, each of which appears under two strategic modes. First, there is a proactive strategy, aiming to reform institutions to reduce institutional pressures. The proactive strategy thus focuses on entrepreneurs' actions directing to influence the sources of pressures. Here, two modes are identified depending on the entrepreneurs' proximity with the sources of pressures: proactive collaboration or confrontation. The second strategy is more passive, which is reflected in the nature of the relationship that entrepreneurs have with public authorities. The two related modes are collaborative avoidance (strategic discretion to develop their activities in the shadows) or collaborative compliance (assimilation into the system to mitigate the effect of these pressures and

Table 7.1 Summary of the four strategies for managing institutional pressures by Algerian entrepreneurs

Case	Strategies	Postures or strategic modes	Intentions	Relationship with the source of the pressures
Lion Chameleon	Proactive strategy	Confrontation Proactive cooperation	Reforming institutions to reduce institutional pressures	Distance Proximity
Fennec Duck	Passive strategy	Collaborative avoidance Collaborative compliance	Gain acceptance to reduce institutional pressures	Distance Proximity

preserve their social status). This section presents the cases in the following sequence: Lion and Chameleon (proactive strategy), then Fennec and Duck (passive strategy). Table 7.1 below summarizes the strategies and postures adopted by the Algerian firms studied. Moreover, Table 7.2 summarizes the analysis of the four cases and provides empirical illustrations (Table 7.2).

The Lion Case: The Strategy of Confrontation for External Change

Lion is one of the largest private Algerian companies. Active in several industries, it has been officially operating in Algeria for just over two decades. Its founder was the owner of other companies previously. Lion used to operate mainly in the food industry before becoming a conglomerate that operates worldwide. Its situation is the archetype of the opposition of an entrepreneurial logic to bureaucratic and administrative logics. As a symbol of the still nascent freedom of enterprise in a traditionally socialist country where economic statism is taken for granted, Lion is naturally the target of significant institutional pressures and harassment, ranging from barriers erected for access to resources and means, to recurrent blockages of its projects, to confrontations with high-ranking officials through the media. In this context, the company has adopted a

Table 7.2 Summary of the analysis of the four cases and empirical illustrations

Strategies and cases	Motivations	Postures and actions
Lion <i>Proactive response strategy</i> Chameleon	<ul style="list-style-type: none"> • Reducing institutional pressures • Changing institutions from the outside • Getting the authorities to reform the institutions 	<ul style="list-style-type: none"> • Open confrontation with public authorities • Denunciation and uncovering of institutional dysfunctions
	<ul style="list-style-type: none"> • Avoid institutional pressures • Changing institutions from within • Fostering greater openness of institutions to the business world 	<ul style="list-style-type: none"> • Economic and institutional collaboration with public authorities • Attempt to reconcile the entrepreneurial and administrative logics
Fennec <i>Passive response strategy</i> Duck	<ul style="list-style-type: none"> • Reconciling the entrepreneurial logic of efficiency with the values and traditions of the community • Reducing institutional pressures by being discreet and conformist • To perpetuate the activities of the firm • Acceptance by the authorities to alleviate institutional pressures 	<ul style="list-style-type: none"> • Maintaining harmonious and positive relations with local authorities • Gradual distancing from the public sector by moving away from segments dependent on public procurement • Maintaining a collaborative relationship with public authorities • Positioning as strategic partners of the state, particularly in sectors that are not very coveted.

Results	Empirical illustrations
<ul style="list-style-type: none"> • Limits the influence of institutional pressures due to strong media coverage of the firm and its difficulties with the state • Increased legitimacy in the eyes of segments of the national population • Significant reduction in institutional pressures • Increased legitimacy in the eyes of local actors and public authorities, but eroding legitimacy in the eyes of the population more critical of the state • Maintain respectful relationships with the authorities to reduce institutional pressures • Internal conflicts related to the reconciliation between corporate efficiency and community values • Mitigation of institutional pressures through discretion and deployment in low-profile activities. • Reinforcing its position through the exclusivity granted by public authorities and the diversification of services in adaptation to remote geographic areas. 	<ul style="list-style-type: none"> • Many of <i>Lion's</i> projects are stalled, either by the backlog of imported equipment at customs or by obstacles encountered in industrial land granting. • The number of jobs created and the social actions undertaken for the benefit of both the public and university associations of civil society have strengthened <i>Lion's</i> position and led public authorities to exercise caution. • <i>Chameleon</i> is a major player in the bodies playing the role of intermediary between the business world and public authorities. • The state involves its partner in many actions while granting it advantages and facilities, which brings it closer to public authorities but calls into question its proximity and notoriety with the population. • Heavily dependent on public contracts to develop its activities, <i>Fennec</i> had to reconcile its values and the acceptance of the conditions imposed by the state and its institutions. • A major and progressive change is being made in its business model to move away from institutional pressures by leaning towards the retail market. • Acting from the outset as a cohort to support the state's strategic partners by providing them with various services and benefits, <i>Duck</i> has found a place where it is sheltered from pressure. • <i>Duck</i> has legitimized his role as a collaborator and has succeeded in alleviating institutional pressures, meeting the expectations, and adapting to partners' needs in a disadvantaged region.

strategy of confrontation by questioning the legitimacy of the mechanisms put in place by state institutions and demonstrating their dysfunction and responsibility for the failures of the global economic and even social configuration.

Motivations

Analysis of *Lion's* strategic behavior shows two main interrelated motivations. First, the executives continue to grow their businesses, expand their market share, and contribute to local development through job creation. Second, *Lion aims to* change the logic of public authority action toward economic operators.

Protect the Organization from Blockages

Lion is a fast-growing company. Leader in Algeria in several fields of activity, it is going international with strategic investments in Africa and Europe. However, several of its development projects—recognized as avant-garde and useful for the country's development—are blocked. Blockages generally take three forms: investment authorizations that are not granted, draconian administrative hassle to authorize any new investment projects in Algeria and abroad, punitive customs procedures for the importation of needed equipment. Some projects have been blocked since 2006, even though—according to feasibility studies—they promise to reduce food dependency in some areas. Recently, an advanced technological innovation project has been stalled for more than a year due to a dispute over imported machinery valuation. These deliberate actions are clearly a response to *Lion's* confrontational approach.

Radically Transform Institutions

In their media statements and at professional forums and academic gatherings, *Lion's* leaders cite weakened and dysfunctional state institutions as the reason for the country's socioeconomic underdevelopment. These

dysfunctions are said to be the source of administrative and bureaucratic slippages that could destroy the company. This media strategy aims to expose public actions' contradictions and their inconsistency with legislation governing economic development. By their motivations and procedures, *Lion's* actions are determinedly in line with the strategic management of institutional pressures.

Approach

In terms of the strategic management of institutional pressures, *Lion's* action is based on three main pillars: continuously displaying its critical stance toward the decisions and pressures of the public authorities, uncovering their inconsistencies and dysfunctions, and strengthening as much as possible its position as an active economic operator and job creator.

Critical Position Towards the Decisions of the Public Authorities

Lion adopts an approach of confrontation with the Algerian public authorities through the media, social networks, and public speaking. Between 2010 and 2019, the company strengthened its media presence. This has enabled it to maintain a counter-pressure in the face of the authority's behavior. *Lion's* media efforts are focused on two elements: (1) highlighting its place in the market and its desire to develop its activities and (2) questioning the institutional pressures as detrimental to Algeria's economic development.

Revealing Public Institutions' Inconsistencies and Dysfunctions

The company has a transparency strategy, where all the details of projects, blockages, and government actions contrary to the law are disclosed. This allows the company to denounce decisions and actions openly and

factually by public authorities that run counter to public policies' economic objectives. In this context, the founder left the most important Algerian employers' organization, deemed too close to the Algerian authorities, thus publicly displaying his distance from the state's representatives and symbols.

Reinforcement of the Position as an Economic Actor

Through the speeches of its senior leaders, recurring press releases and public statements, *Lion* does not fail to highlight its contributions to the socioeconomic development of the country, displaying the results of its investments, the direct and indirect jobs created and those in perspective, as well as its social responsibility. *Lion's* CEO often states: "for every dinar we earn, we pay 60% in taxes, we reinvest 39% and only 1% is shared among shareholders." Thus, *Lion* exerts a counter pressure likely to work in his favor against public authorities' pressure.

Outcomes

Lion's approach in dealing with the state leads to three interesting outcomes. First, it strengthened popular legitimacy. In a turbulent socio-political context, notably marked by a major popular protest against the state, *Lion's* confrontation strategy has enabled the company to increase its legitimacy and popular support. The expression of popular support has even taken the form of marches and demonstrations in support of the company against the bureaucratic hassles its investments face, particularly in the region where *Lion's* investments are mainly concentrated. Second, *Lion's* approach led to the creation of a balance in the relationship with the state. In particular, *Lion's* confrontational approach has enabled him to develop considerable resilience, which has led some public institutions' representatives to avoid confrontation with the population. Therefore, this approach has enabled him to be visible enough to encourage public authorities to be cautious about institutional pressure. Indeed, as a key player in the country's economic scene, *Lion's* social

media approach allows it to transform its popular legitimacy into a mechanism for maintaining a certain balance. Finally, the company's approach did not entirely eliminate institutional pressures as they persist. Despite its means of retaliation, the company continues to face institutional pressure and large-scale blockages. Both local authorities and customs services block several projects under legally questionable conditions. Legal and media imbroglios regularly occur, thus delaying the realization of the announced projects.

Chameleon's Case: The Strategy of Proactive Collaboration and Change Through Compliance and Proximity

Chameleon has a large market share in two agri-food sectors. The company is a leader in processing agricultural products and one of the main producers of mass consumption products. Its strategy is centered on controlling the value chain starting from the agricultural upstream and concentrating its activities in a region specialized in producing its agricultural supplies. Given its size and its influence on the local environment, *Chameleon* is subject to institutional pressures of various kinds, particularly in terms of the conditions for developing its activities and obtaining administrative authorizations for the import of raw materials and production equipment. Several of its projects have been blocked for often unclear reasons. The company adopts a strategy based on close relations with all state structures, both local and central, and collaboration and direct involvement in public-private ventures. This strategy reveals the will to change the behavior of institutional actors. *Chameleon* has turned its proximity and collaboration strategy with public authorities into a proactive approach to lead and accompany them in a change conducive to entrepreneurial freedom.

Motivations

The proximity strategy adopted by *Chameleon* highlights three main motivations: to bring the public authorities to change their attitude towards entrepreneurs, to develop its negotiation skills by getting involved in the logic of the public authorities, and to develop its business through better relationships with state decision-making actors.

Impulse a new “State-Business“ Relational Logic Through Concession

Chameleon began its business journey with a sizeable concession, accepting to forgo the land allocated to it for the construction of the plant, to the benefit of another operator, who had close relationships with political actors. It was then unknown and powerless. The newly obtained land was located in an isolated area, far from roads and with limited infrastructure. Besides, the new lot was listed as a protected agricultural site and required special construction authorizations. *Chameleon* also had to agree to sign an agreement with a shaky public packaging company on the brink of bankruptcy to make an exclusive supplier. With this cooperative attitude, *Chameleon* attempted to create links with local and territorial authorities and bring them to maintain co-development relations that would benefit both the company and the state.

Replace the State as an Actor-Partner

Chameleon favors relationships based on collaboration, involvement, and active participation in economic development to show its willingness to be a loyal partner. The company positioned itself as a promoter of modern agriculture, providing assistance and support to farmers, helping them to grow essential supplies for *Chameleon's* processing plants. Later, public authorities asked *Chameleon's* CEO to partner with a public company in difficulty through a public-private project. *Chameleon* was granted full control and exclusive responsibility for the management of the new mixed company.

Growing Sheltered from Pressure

Motivated by its desire for growth and expansion, and strengthened by its leadership position in a segment where its dependence on public authorities is relatively low, *Chameleon* developed a strategy of proximity to mitigate the impact of political pressures on businesses in general. The company worked with the population, local elected officials, and public authority representatives to open up the region and create an entrepreneurial spirit, thereby building a solid, unified front to counter institutional pressures.

Approach

The company built closer ties with public authorities, seeing this as a winning strategy to reduce pressure and change institutions from within.

Involvement and Collaboration in Socioeconomic Life

Chameleon's strategy includes associating itself with public sector agencies, including some in charge of developing sensitive sectors of Algerian agriculture. Partnership actions with public sector companies ensure the required proximity and reduce institutional pressures. Dozens of small companies have sprung up around *Chameleon's* factories to take charge of transport, logistics, packaging, and various services. The company's plants have become training and employment centers for the region's future engineers and technicians.

Proximity to the Community and the Authorities

This posture is reflected in the deployment of significant means for collaboration and involvement as well as strong social and community commitment. It is also focused on meeting the local population's needs, through recruitment, internships for students and apprentices, financial aid for needy families, and work to improve the local living environment.

Chameleon has also invested in state bodies to develop agriculture and collaborate with public authorities around common challenges. In this way, it positions itself as a partner of the state in search of solutions to food insecurity.

Promotion of an Image of Progress and Development

Quality, performance, and social commitment are the keywords of *Chameleon's* institutional communication. Fulfilling the role of promoter and facilitator of entrepreneurship, financing educational, community, and even sports activities helped develop a positive image of *Chameleon*, deserving a favorable relationship with the state. Financial aid to the poor, management and maintenance of local cemeteries, help to public vocational training centers, and local school laureates' encouragement have reinforced this image. The company spares no effort to involve the public authorities in its successes to share the credit.

Outcomes

Chameleon's approach to dealing with institutional pressures have generated two main outcomes. First is a noticeable reduction of institutional pressures. To establish its strategy, *Chameleon* has gradually asserted itself as a public authorities partner in the regional economic development. It collaborates and is involved in the structures responsible for policy implementation. It stands out for its resilience and its ability to adapt to the vagaries of public decision-making. In three decades, it has built a solid and diversified industrial company while working to impel a change in the state's perception of entrepreneurs' role in economic development. Second, another unexpected outcome was the ambivalent impact on the firm's legitimacy. In fact, *Chameleon's* proximity and collaboration have earned it a favorable attitude from public authorities. It benefits from advantages and support to develop its activities. The populations and local elected officials, in particular, have become fervent defenders of *Chameleon* with higher state authorities. However, some parties see this proximity as a strategy to benefit from undue facilities and privileges,

affecting its community legitimacy. Unlike *Lion*, who enjoys growing legitimacy among the population for its confrontational approach, *Chameleon* is seen with ambivalence by the population for its proximity to a state which is losing legitimacy.

The Fennec Case: The Ambiguous Strategy of Avoidance-Collaboration

Fennec is a leading family-owned company in the extrusion manufacturing of pipes and profiles for PVC (polyvinyl chloride) and polyethylene carpentry. The company's strengths lie in its expertise in the production of products widely used for the distribution of drinking water and pressurized gas according to international standards. The two significant markets targeted by the company, water and gas, are mainly related to public contracts awarded through competitive tendering. The main clients are housing construction companies, state-owned energy distribution companies and municipalities for road works. These products and services are distributed throughout the country and, on a small scale, in some African countries. Over the last five years, the growth has been significant. *Fennec* is regularly called upon to collaborate with public authorities in the context of large public contracts. In a country where corruption is endemic, pressures to be involved are substantial. *Fennec* is the property of a family with strong religious values, incompatible with corrupt practices. So, the company adopts a strategy of distance and discretion to guard against institutional pressures and remain faithful to the Muslim ethical values that form the foundation of its corporate culture.

Motivations

Two main motivations related to institutional pressures are related to administrative blockages and corruption. On the one hand, *Fennec* wishes to maintain the organization's ethical principles by reducing institutional pressures. According to the managerial team, this justifies a distance from public authorities, even though they are highly dependent on them for

public infrastructure and procurement contracts. On the other hand, the firm also wishes to sustain its activities, thus conceding certain compromises while ignoring the tendency of some members to reject those compromises for moral reasons. This state-of-affairs generates tensions within the organization.

Maintain the Ethical Principles of the Organization

The culture of the firm's founder is based on ethics, with strong religious roots. However, in these circles heavily affected by endemic corruption, *Fennec* faces a dilemma: on the one hand, to develop their business, they must work without reluctance with state agencies. On the other hand, to preserve their ethical virtues, they are forced to distance themselves from the state. Family members are divided on the behavior to be favored. Tensions with the authorities then lead to internal tensions at the level of corporate governance.

Reduce Institutional Pressures and Sustain the Activities of the Organization

Fennec is aware of its vulnerability to institutional pressures, given the importance of public procurement to its business model. The company remains dependent on public contracts and is working to earn them by developing quality delivery capacity and maintaining relationships with decision-makers. Dominated by a philosophy of ethical behavior that imposes distances from state decision-makers, but at the same time subject to extra-contractual requirements that are often at the limit of business ethics, the company is reactive and protective of resisting pressures.

Approach

For the management of institutional pressures, *Fennec's* behavior is rather passive. Three types of action are used: proximity to local decision-makers; discretion in one's affairs; and strategic reorientation. The latter appears to be the most obvious behavior.

Proximity with Local Decision-Makers

The company's executives adopt traditional behaviors of maintaining informal relationships with representatives of local and territorial authorities. The latter show kindness to the managers during meetings to which they are invited. They also involve them in the professional meetings they organize, making relationships natural and contacts frequent.

Discretion

The company executives are part of a pious and conservative family, which respects Islam's great precepts, with special attention to maintaining a respectable and benevolent relationship with the community, but without ostentation. Modest behavior in everyday life accentuates this discreet character. This modesty is illustrated in the nature of the relationship between executives and their staff and the entire community. This is particularly evident on religious holidays, where family members modestly show their perfect integration into the community while maintaining total discretion, which testifies the importance of the family's religious referents.

Strategic Reorientation

Fennec defines itself as a company dedicated to the quality of its services and operational efficiency on the one hand, and to social responsibility on the other. Its relationship with the state is ambiguous. They are both friendly and rigorous. *Fennec* focuses primarily on managing economic imperatives when carrying out its public projects, ignoring or diminishing extra-contractual requests from public authority representatives. This explains the firm's strategic reorientation to gradually move away from public procurement, a source of existential tension, and towards the consumer market.

Outcomes

The legitimacy and respect that the company enjoys among public authorities, employees, and civil society reinforce its approach of discretion and distant collaboration with public authorities. It is thus able to considerably reduce institutional pressures while reconciling the logic of efficiency and ethics. There main outcomes are noted.

First, the legitimacy and respect by the community and the authorities are important outcomes. *Fennec* imposes respect through its general behavior rather than through the systematic promotion of its image. The authorities perceive the founder as “a moral pillar.” Philanthropic actions reinforce this image (complementary school, help for the sick, donations to community and religious associations), and the executives’ religious values. Second, *Fennec*’s approach led to a reduction of institutional pressures. Particularly thanks to its posture of strategic discretion and a rather distant relationship with public authorities, *Fennec* has been able to weather the institutional pressures that emerge from an environment conducive to corruption and unethical behavior. While these pressures have not really disappeared, the company is proactive in maintaining a harmonious balance between economic imperatives, public authority expectations, and the organization’s moral pillars. Third and last, difficulties in reconciling ethics and efficiency are unexpected outcomes related to *Fennec*’s approach. Debates in the family on how to remain ethical are frequent. They are never resolved by a principle but by a search for compromise, which is a source of real internal tensions. The company’s executives regularly question themselves on how to reconcile economic objectives with the organization’s moral principles. Institutional pressures related to corruption are at the very heart of the tension between economic efficiency and ethics.

The Duck Case: A Strategy of Responsive Collaboration

Duck is a company providing various services that initially targeted a little known and therefore little coveted market. It operates mainly in isolated areas located in the country's south to benefit other companies whose profession requires continuous work and employees' permanent presence. However, the areas covered by the company are known for the administrative, security and regulatory requirements imposed by local authorities, given the sensitive nature of these territories for the country's energetic independence. To circumvent these requirements, the company has established contractual relationships with multinational companies operating in the region to benefit from their protection, maintaining exclusivity in providing services and thus justifying the investments made to meet all requests. The multinational partners are all foreign companies operating in Algeria under state contracts.

Motivations

Duck's strategies for responding to pressure are mainly motivated by the desire to evolve close to the sources of pressure to understand them better and develop its business by strengthening the partnership relationship with key actors in the region. The will of *Duck* is not so much to change institutions, but to be accepted in order to perpetuate its activities.

Evolve Near Sources of Pressure

The company's leaders support the idea that the best way to respond to institutional pressures is to be close to the sources of those pressures. In a desert region where operators are scarce, *Duck* has gradually made its way first by providing office supplies, beverages and other miscellaneous services, then providing ground and air transport and building and

managing living bases for partner companies' benefit. In the absence of state means and infrastructure, the territorial authorities looked at *Duck* as a useful source of solutions needed to induce involvement and investment by foreign companies.

Work in Groups to Better Manage the Pressures

The partnership strategy has been the spearhead of *Duck's* efforts to adapt to foreign companies' expectations and needs in the region. *Duck* invested in logistics and related activities because they were needed by client companies, sometimes at their request. In doing so, it has become an important partner and player, acquiring strength that protects it considerably from institutional pressures.

Approach

Duck's approach to dealing with institutional pressures is a passive one based on proximity to increase acceptance. It revolves around two behaviors.

The Partnership with State Partners

Collaboration with foreign companies was a key strategic action deployed by *Duck*, which, aware of its vulnerability by being alone, has strengthened its position through exclusive contracts with foreign companies. The latter, linked by strategic partnerships with the state, handled sensitive relationships with state officials. Therefore, *Duck* was naturally part of a powerful front that could keep public authorities at arm's length. Its activities in the heart of a key sector for the country are thus perceived as important, favoring a more conciliatory approach on the part of the public authorities.

Rapprochement and Collaboration with the State

To ensure close relationships with the state, the company's executives have approached the territorial authorities to request all the necessary authorizations, brandishing the contracts signed with foreign companies as a guarantee of integration in these areas and as a means of proving the usefulness, even necessity, of their presence and business. Since they do not have the means to provide such services and facilities in deprived areas, local authorities have facilitated the company's integration as a service provider, making it easier for foreign companies to operate in this isolated region.

Outcomes

All in all, Duck's approach is conducive to two primary outcomes. First, its collaboration with the state leads to mitigated institutional pressures. *Duck's* response strategies to institutional pressures have focused primarily on proximity to public authorities, through companies that are already partners. This has facilitated its acceptance and preserved it from the effects of pressures that are exerted on similar operators. *Duck's* presence is considered beneficial by local authorities, due to their inability to ensure the regular delivery of all products and services needed by important foreign partners. *Duck* therefore compensates for this absence and acts as an intermediary between the state and its partners, thereby gaining support from both parties. The second outcome is related to the strengthening of *Duck's* position through exclusivity and diversification. Being the best supplier of basic services to several companies in a strategic area for the state, but where competition is low, has ensured a market with a high potential for diversification, given the growing needs of companies established in the region. The company has gradually established itself as a preferred supplier of services, ranging from ordinary supplies to private aircraft leasing and the management of living bases.

Discussion and Contributions

This chapter examined how Algerian entrepreneurs strategically deal with institutional pressures in a context marked by volatility and complexity. We began our analysis by suggesting that our current understanding of the management of institutional pressures has been developed primarily in Western contexts that are relatively stable, predictable, and institutionally mature (Greenwood & Suddaby, 2006). Therefore, this research is intended to contribute to the important research on institutional pressures in emerging countries where high institutional volatility is to be expected. Our analysis focused on the manifestation of this phenomenon in an African country characterized by a turbulent and dynamic institutional context with a substantial impact on the relationship between private companies and the state.

Through the study of four Algerian entrepreneurs and firms, we identified four strategies through which these organizations manage institutional pressures: confrontation, proactive cooperation, collaborative avoidance, and collaborative compliance. As shown in Fig. 7.1, these

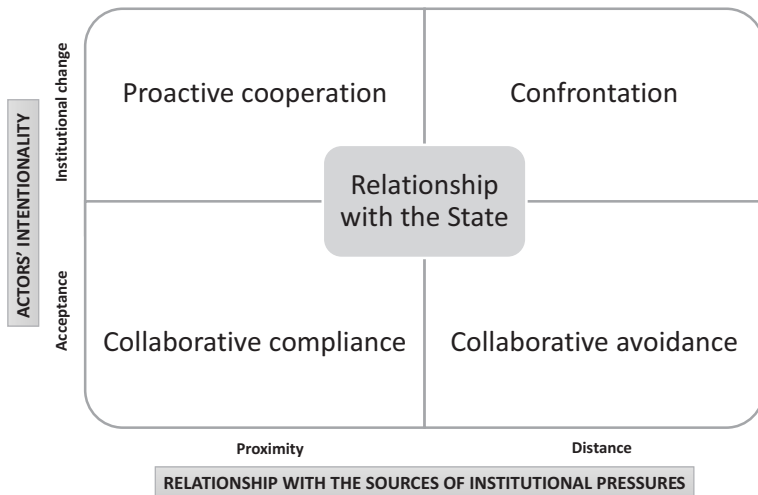


Fig. 7.1 Summary of the analytical framework for the four relational strategies for managing institutional pressures

strategies are clearly differentiated at two levels. On the one hand, some entrepreneurs wish to manage institutional pressures by changing institutions, either from within or from outside (proactive strategy). On the other hand, some entrepreneurs wish to manage institutional pressures by being close to or distancing themselves from public authorities, to accept and mitigate institutional pressures (reactive strategy). Core to this proposed framework are two important variables for understanding the strategies for managing institutional pressures deployed by actors in a situation of strong dependence: intentionality and the relationship maintained with the source of the institutional pressures.

All in all, our chapter does not challenge the strategies developed in the literature around Oliver's (1991) pioneering contribution. Although taken together, the strategies studied allow us to enrich theoretically and empirically the literature on managing institutional pressures at three levels. First, our main contribution lies in the relational theorization of institutional pressures. While the literature assumes that organizations are *de facto* in a reactive approach of survival, our chapter rather suggests that entrepreneurs develop strategies and intentions to survive in complex institutional environments and at times can work at changing the very nature of institutions and sources of pressure. Thus, we have highlighted four strategies that reveal these intentions and how they allow some organizations to be in a rather proactive posture towards the source of institutional pressures. This relational approach, based on the way entrepreneurs manage their relationships with sources of pressure, allows us to understand better strategic responses to institutional pressures in contexts where organizational actors are highly dependent on sources of institutional pressure. This relational approach, which is sensitive to the actors' intention and proximity, allows us to illustrate the possible existence of two different strategies that share the same intention, highlighting the contingent nature of managing institutional pressures. For example, *Chameleon* and *Duck* collaborate with the source of institutional pressures, but their intentions are different. Moreover, while the literature inspired by Oliver's (1991) model predicts that dependence on the source of institutional pressures mainly favors acceptance and compromise strategies (Lawrence et al., 2001), we show on the contrary that firms adopt different postures, even in the presence of strong dependence and

coercive risk. This suggests that understanding their intentions and motivations is essential to understanding the trajectory of strategic responses to institutional pressures beyond actors' strategies.

Second, our article also contributes to the literature on managing institutional pressures by uncovering the collateral effects of organizations' strategies to respond to institutional pressures. By going beyond the strictly relational framework between the company and the source of institutional pressures, we have shown that companies' strategic choices influence their legitimacy with many stakeholders, including part of civil society. In a turbulent socio-political context where the state's legitimacy is at the heart of debates, confrontation is possible because it can strengthen the organization's reputation and legitimacy. At the same time, proximity to the state tends to influence reputation and legitimacy negatively. In the case of the confrontation strategy, Lion's popular support has even allowed them to create a balance in the range of institutional pressures that can be exerted. Indeed, numerous social mobilizations of support have led public authorities to become aware that their behavior is scrutinized and observed by various stakeholders. A balance is then imposed by the arrival of a third actor in the equation: civil society. As far as the strategy of proactive collaboration is concerned, it has generated a double effect in terms of legitimacy for *Chameleon*: on the one hand, the local population and the authorities have reinforced this legitimacy, but on the other hand, he has experienced a certain erosion among the other actors who are more critical of close relations with state representatives, whose legitimacy is questioned. For *Fennec*, the firm's ambiguous collaboration and avoidance strategy leads it to manage daily the tension linked to the balance between collaboration with public authorities for economic survival and avoidance for coherence with the organization's and family's morals and Islamic values. This collateral effect internal to the organization is vital since it calls into question its very values. In a more general way, the research track of collateral consequences, which has not been the subject of research to our knowledge, is an interesting one to consider understanding better the direct and indirect impacts of institutional pressure management strategies.

Conclusion

The argument developed in this chapter can be seen as bold because it does not strictly explain the proximity between private entrepreneurs and public authorities strictly from a practical and opportunistic perspective. According to traditional reading, *Chameleon* would be a company close to the public authorities mostly to monopolize the country's wealth through unhealthy political relations. This is too simplistic in our eyes in a turbulent and dynamic institutional context, where decision-making related to organizational survival is a matter of instinct. Our examples provide a more nuanced theory of how companies may be threading to build workable lifelines in unusual situations. The cases presented here suggest more research into these lightly understood dynamics. Beyond the four cases presented in this chapter, the authors have studied and analyzed more than 30 Algerian firms in recent years. These companies are all family-owned, and most of them are in positions of leadership or sustained growth. They are mainly present in the food processing industry sectors, construction and public works, mechanical industry, and services. Two of them are centenarians, three are more than 50 years old, and others are less than 30 years old. Their behavior reflects well the theory developed here. Yet, more research is needed to shed light on complementary dynamics to better understand economic development and private entrepreneurship in a volatile institutional context such as Algeria's (Baba et al., 2020).

Note

1. We consulted the following newspapers: El Watan, Maghreb Émergent, Économie 360 and TSA.

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