



Blooming in the cracks: productive entrepreneurship amid institutional voids

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Abstract Institutional entrepreneurship holds that institutions, as the rules of the game, provide payoff structures affecting the allocation of entrepreneurship to productive, unproductive, or destructive paths. Contrary to institutionalist assumptions, institutional work (IW) literature draws a broader vision of the recursive and dialectical connection between agents and institutions. IW explains how agents' intent and capability lead to maintaining, altering, or creating institutions and direct entrepreneurial outcomes toward productive paths. The current research adopts an IW perspective to explore how productive entrepreneurship (PE) occurs in poor institutional contexts.

Applying an extended case method and conducting semi-structured interviews with entrepreneurs, we extend the current understanding of the agent-institution interplay in entrepreneurship allocation. Our results depict a more realistic and comprehensive picture of entrepreneurship allocation to productive paths amid institutional constraints. Highlighting the role of actions and motivations, we explore different mechanisms and IW strategies entrepreneurs use to pursue PE within inefficient institutions.

Plain English Summary This paper, viewed through the lens of institutional work (IW), explains productive entrepreneurship (PE) in the face of institutional constraints. It explores the role of actions and motivations in surmounting institutional barriers, offering practical insights for policymakers. It highlights the necessity for policymakers to acknowledge and rectify institutional inefficiencies. Moreover, it stresses the influence of informal community beliefs on formal institutions, advocating for long-term transformation strategies, particularly through education and community awareness campaigns. Further, it highlights the significance of the institutional work of economic actors and community leaders in promoting PE. Lastly, it explores how entrepreneurs' motivations drive them toward PE, suggesting that educational policies should consider these aspects.

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1 Introduction

It is widely acknowledged that economic activities, particularly entrepreneurship, are heavily influenced by the institutional environment, which defines the “payoff structure” (Baumol, 1990, p.909). Efficient institutions tend to cultivate productive entrepreneurship (PE), characterized by ventures yielding positive returns both at the business and economic levels, often driven by innovation and technological progress (Baumol, 1990; Douhan & Henrekson, 2008). Conversely, institutional inefficiencies can lead to the emergence of unproductive or even destructive entrepreneurship. This includes scenarios where firms seek monopolistic privileges through lobbying efforts, entrepreneurs exploit institutional imperfections for personal gain, or when flaws in the institutional framework are creatively exploited to extract rents from third parties (Douhan & Henrekson, 2008). In such contexts, ventures may struggle to generate sustainable benefits or, worse, may impede overall economic development (Baumol, 1990).

Regarding PE, evidence suggests that the relationship between institutional quality and entrepreneurial activity’s productiveness is not straightforward. In other words, productive entrepreneurial activities are not confined to efficient institutional contexts and can manifest within inefficient institutions (Borožan et al., 2017; Hall et al., 2012; Sautet, 2013; Smallbone & Welter, 2012). This paradox highlights the complex interplay between institutional quality and entrepreneurial behavior (Kalantaridis, 2014) and the need for a deeper understanding of PE mechanisms within inefficient institutional settings.

To better understand this complex interplay, researchers have emphasized the agent’s role in actualizing productive entrepreneurial outcomes, mainly through two perspectives: the first stream is institutional entrepreneurship (IE), which investigates how “powerful agents with sufficient resources try to transform institutions aligning with their interests” (DiMaggio, 1988, p. 14). The second stream is institutional work (IW), which goes

beyond the heroic nature of resourceful institutional entrepreneurs (Hampel et al. 2017; Hwang & Colyvas, 2011; Tracey et al., 2011) and offers a broader perspective on the reciprocal and dialectical relationship between agents and institutions (Delbridge & Edwards, 2008; Lawrence et al. 2011). IW perspective simultaneously seeks to explain how micro-level dynamisms interact with more established institutional trajectories (Beunen et al., 2017; Emirbayer & Mische, 1998) to shape the agent’s decisions and outcomes.

Specifically, IW builds upon the concept of “distributed agency” and highlights the role of collective action and interaction among actors in IW (Greenwood et al., 2002; Raviola & Norbäck, 2013). IW emphasizes that beyond institutional entrepreneurs who possess resources and power to influence institutions, less powerful actors lacking sufficient resources, especially in inefficient institutional environments, can shape their institutions and achieve desired outcomes (Czarniawska, 2009; Gawer & Phillips, 2013; Lawrence & Suddaby, 2006; Marti & Mair, 2009), by envisioning and advocating for an ideal future state (Beunen et al., 2017; Hampel et al. 2017) and collaborating to develop innovative solutions in response to institutional inefficiencies (David et al., 2013). This makes IW particularly relevant for understanding entrepreneurial dynamics in inefficient institutional contexts, where reliance on collective actions and social capital is vital for balancing resource and power limitations (Aeeni et al., 2019b; Zhou, 2014). Accordingly, the current study adopts an IW perspective to study PE within an inefficient institutional context.

Despite its relevance, the current IW literature does not comprehensively capture its nature and mechanisms for realizing PE within inefficient institutional contexts. The existing research varies in terms of the study area, context, and level of analysis (Appendix 1). Specifically, many IW works have been done in the context of developed countries such as the UK (Britton & Webb, 2024), the USA (Distelmans & Scheerlinck, 2024), Sweden (Mindel et al. 2024), and the Netherlands (Wilde & Hermans, 2024), in which the pro-market institutions prevail. Moreover, IW research has focused on national (e.g., Gherhes et al. 2023), city (e.g., Gonçalves et al. 2024; Guenduez et al. 2024), industry (e.g., Wilde & Hermans, 2024), and

organizational levels (e.g., Barin Cruz et al. 2016; Barron, 2023). A dearth of literature explores the individual-level dynamics of institutional work (Battilana & D’unno, 2009). Specifically, existing studies have neglected to investigate how individuals engage in institutional work to direct entrepreneurship toward productive paths, particularly in institutional voids.

To fill this gap, the current study aims to explain the role of institutional work in driving PE amidst institutional inefficiencies. By examining how entrepreneurs navigate and shape their institutional environments, the study seeks to uncover how productive entrepreneurs in Iran can thrive despite unfavorable institutional conditions. We adopt an extended case study approach due to the exploratory, multifaceted, and complex nature of the research (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) and because we aimed to answer “why” and “how” questions (Yin, 2009). Drawing upon semi-structured, in-depth interviews with entrepreneurs, supplementary sources (archives and field observation), and historical analysis, we extend the existing understanding of entrepreneurship allocation in poor institutional contexts.

Here, we seek to make one important contribution to the field. It has been widely recognized that the entrepreneurship process and venture creation happen within agent-context interaction (Lichtenstein, 2011; Lim et al., 2016). However, entrepreneurs’ specific mechanisms to interact with macro-level institutional contexts are under-explored. Dominated by IE literature, empirical studies have focused on the initiatives of resourceful institutional entrepreneurs (e.g., Puu-malainen et al., 2015; Qureshi et al., 2016), which ignores the recursive and dialectical connection between agents and institutions. Relying on the IW perspective, we provide a novel understanding of the dynamic agent-institution interplay in realizing PE within institutional constraints. By reconciling two seemingly divergent explanations of institution-centric and agent-centric, we explain how entrepreneurs decide to be productive, relying upon their motivations and IW strategies.

The remainder of this article is structured as follows: the following section considers the existing literature. Section 3 presents the research methodology. Section 4 presents the main results. Section 5 discusses the findings, study contributions, limitations,

and policy implications. The final section draws concluding remarks.

2 Theoretical backgrounds and literature review

2.1 Macro-foundations of entrepreneurship allocation: the role of institutions

Institutional entrepreneurship posits that the allocation of entrepreneurship to different paths depends on the quality of the institutions, or the “rules of the game,” which are the institutional arrangements that determine the payoff structure for entrepreneurial activities (Baumol, 1990; p.898). Hence, the more efficient the institutions are, the more talent and resources are allocated to PE. In contrast, inefficient institutions increase the possibility of unproductive or even destructive entrepreneurship.

Inspired by Baumol’s theoretical framework, exploring the relationship between institutional quality, specifically formal institutions, and PE, has gained considerable attention in the last two decades (Aeeni et al., 2019a, 2019b). Research evidence shows that the efficiency of institutional arrangements such as trade policies (Holmes and Schmitz, 2001), tax policies (Gohmann et al., 2008), labor market regulation (Bosma et al., 2018), property rights protection (Sanders & Weitzel, 2013), economic freedom (Gohmann et al., 2016), or insolvency regulation (Fu et al., 2020) lead entrepreneurs to choose productive paths and diminish the possibility of unproductive or destructive entrepreneurship. In addition, considering informal institutions’ long-term and more profound influence on economic activities (North, 1991), some recent studies have explored the importance of informal arrangements, such as corruption (Berdiev & Saunoris, 2020), in entrepreneurship allocation. For example, Boudreaux et al. (2018) argue that prevalent corruption encourages entrepreneurs to invest in industries with more profitability but lower productivity. Some researchers have also examined the separate effects of formal and informal institutions. In this vein, Mathias et al. (2015) found that private ownership as an informal arrangement and cooperative activities as an informal one encourage more PE. It seems that informal arrangements compensate for formal institutions’ inefficiencies. For example, in economies with

inefficient formal rules, entrepreneurs resort to networking strategies such as strategic alliances, partnerships with international or local firms, or connections with political authorities (Meyer et al., 2009). This research evidence recognizes PE as a direct result of well-functioning institutions as “the rules of the game” (Baumol, 1990, p. 916).

This research evidence largely recognizes PE as a direct result of well-functioning institutions as “the rules of the game” (Baumol, 1990, p. 916). However, it is essential to acknowledge that the macro-level institutional perspective assumes that entrepreneurs, regardless of individual differences, will respond uniformly to the institutional environment in which they operate. This assumption suggests a certain loyalty to and coping with institutional arrangements under any circumstances (Elert & Henrekson, 2017).

2.2 Micro-foundations of entrepreneurship allocation: the role of agency

Contrary to the assumptions behind the macro-level institutional explanation of entrepreneurship allocation, i.e., the entrepreneurs’ loyalty to and coping with institutional arrangements under any circumstances (Elert & Henrekson, 2017, p.97), entrepreneurs are *heterogeneous* and have different *agential qualities* (Stenholm et al., 2013). It means that two individuals may pursue different routes in the same context regardless of the level of institutional efficiency (Kalantaridis, 2014). In line with this reasoning, there is empirical evidence that PE can also emerge in inefficient institutional contexts (Borozan et al., 2017). Therefore, further exploration and development of micro-foundations of agents’ role in realizing PE are required. It is important to note that the concept of agency as purposeful action encompasses motivation, will, intentionality, interest, choice, autonomy, and freedom (Battilana & D’unno, 2009). Hence, in this research, the following sections discuss the entrepreneurs’ agency as reflected in their motivations and actions.

2.2.1 Individual motivations in realizing PE amid institutional voids

In terms of motivations, much of the work has been done on the role of individual entrepreneurial and personal qualities, aspirations, talents, self-oriented or

prosocial motivations, and their worldviews can lead them to pursue PE amid institutional voids and inefficiencies. For example, Weitzel et al. (2010) reveal that creative talent encourages entrepreneurs to disregard their return and pursue more productive options. Hmieleski and Lerner (2016) show that positive (negative) psychological traits lead entrepreneurs to choose productive (unproductive) paths. They found some associations between psychological characteristics (i.e., egotism, psychiatric disorders, and Machiavellianism) and entrepreneurship allocation. Entrepreneurs with qualities such as growth aspiration have been found not to pursue destructive or unproductive paths (Guzmán & Javier Santos, 2001; Urbig et al., 2012). Alertness, self-efficacy, and fear of failure have been discussed to motivate entrepreneurs toward productive paths (Boudreaux et al., 2019). Interestingly, entrepreneurial alertness in some situations stimulates entrepreneurs to engage in unproductive or destructive activities (Hall et al., 2012). Finally, Collins et al. (2016) demonstrated that entrepreneurs’ views on distributive justice (e.g., pervasive corruption) correlate with their inclination towards productive or unproductive paths. In conclusion, beyond institutional quality, the diverse qualities of entrepreneurs (e.g., goals, preferences, perceptions, capabilities, and motivations) heavily influence their decision to pursue PE within inefficient institutional settings.

As discussed, entrepreneurs have different motivations and agential qualities (Stenholm et al., 2013). While the current section focused on the various motivations that drive entrepreneurs to pursue PE amid institutional voids, the following sections explore their diverse agential qualities through IE and IW perspectives.

2.2.2 Institutional entrepreneurship amid institutional voids

Theoretical accomplishments by Meyer and Rowan (1977), DiMaggio and Powell (1983), and Oliver (1991) have led to a significant shift in institutional studies toward incorporating the role of agents in changing institutions that regulate the field in which they situate (Hwang & Colyvas, 2011). In this vein, agents’ role in affecting institutions has been explored primarily under the IE umbrella, in which powerful agents with sufficient resources try to transform institutions that align with their interests (DiMaggio,

1988, p. 14). Relying upon strategic resources and some forms of power, e.g., market leadership rational agents as “*deus ex machine*” (Delmestri, 2006) are critical game changers toward institutional transformation (Greenwood et al., 2002; Holm, 1995; Leca et al., 2008). For example, resourceful entrepreneurs may evade the institutions or try to alter them in some situations (Henrekson & Sanandaji, 2014). Furthermore, they could reorganize certain existing institutional forces and transform their destructive actions into productive endeavors through *entrepreneurial piracy* (Bureau, 2014). Moreover, some entrepreneurs use *indirect PE* (Padilla & Cachanosky, 2016) or *evasive entrepreneurship* (Elert & Henrekson, 2017) to pursue their productive goals amid institutional barriers.

Building on the discussion of IE in the current section, Section 2.2.3 explores the broader concept of IW, which encompasses the diverse actions and strategies entrepreneurs use to create, maintain, or disrupt institutions, thereby shaping the environment in which they operate (Lawrence & Suddaby, 2006).

2.2.3 Institutional work towards PE amid institutional voids

IW is a comparable yet more comprehensive approach to IE that recognizes the role of agents in institutional change and entrepreneurship allocation. Lawrence and Suddaby (2006, p. 214) introduced the concept of IW to describe “the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions.” By connecting previously dissonant ideas, IW made it possible to uncover new questions within the institution-agency conversation (Beunen et al., 2017; Beunen & Patterson, 2019). Beyond the dichotomy of institutions governing action on the one hand or the heroic autonomous institutional entrepreneur on the other hand (Hampel et al. 2017; Hwang & Colyvas, 2011; Tracey et al., 2011), IW draws a broader vision of the recursive and dialectical connection between agents and institutions (Delbridge & Edwards, 2008; Lawrence et al., 2011). Applying a relational perspective on the agency (Battilana & D’unno, 2009; Zietsma & Lawrence, 2010), the IW perspective simultaneously seeks to explain how micro-level dynamisms interact with more established institutional trajectories (Beunen et al., 2017; Emirbayer & Mische, 1998).

IW can be compared with IE in different aspects. *First*, the primary focus of IE on powerful agents with reliable resources excludes a detailed account of the strategies and actions employed by actors with limited power and resources to promote institutional change (Marti & Mair, 2009), however, IW echoes that beyond the heroism of institutional entrepreneurs possessing resources and power to influence institutions, less powerful actors lacking sufficient resources, especially in inefficient institutional environments, would be capable of shaping their institutions and acquiring self-desired outcomes (Czarniawska, 2009; Gawer & Phillips, 2013; Lawrence & Suddaby, 2006; Marti & Mair, 2009). *Second*, IE merely focuses on individual hero agents who see an opportunity to realize their interest (DiMaggio, 1988), however, IW acknowledges the roles that agents other than the central entrepreneur may play in transforming institutions. *Third*, DiMaggio introduces the institutional entrepreneur as the agent capable of changing or creating institutions (Dorado, 2005). In the real world, actors display different ranges of agency on a continuum from the ability to change social structures as the highest level of agency or trying to maintain the status quo (Battilana & D’unno, 2009). Focusing on change, IE excludes other institutional outcomes of the agency. *Fourth*, IE only considers successful strategies through which institutional transformation is realized as exemplars of agency. In this vein, IE’s exploratory power to make clear the influence of agents on institutions is limited to successful cases and ignores conscious but unsuccessful actions to affect institutions. In contrast, IW considers the coordinated and cooperative efforts of diverse actors, both public and private, to accumulate resources and combine strategies toward institutional change (Beunen et al., 2017; Beunen & Patterson, 2019; Hampel et al., 2017). In other words, contrary to IE, which focuses on accomplishments (Lawrence et al., 2011), the activities and practices (regardless of the agent’s failure or success in changing institutions) are at the core of IW studies.

Given these distinctions with IE and its relevance in providing a more realistic understanding of the role of agents in institutional change (Lawrence & Suddaby, 2006), the IW approach has gained popularity in various fields. Research evidence seeks to reveal how purposeful agents affect institutions in different contexts (see Appendix 1), including financial crisis

(Riaz et al., 2011), sustainable forestry (Zietsma & Lawrence, 2010), microfinance (Dorado, 2013), poverty alleviation (Marti & Mair, 2009), college activist strike against the power (Rojas, 2010), innovation initiatives (Barth et al., 2023; Bulah et al. 2023; Jones & Massa, 2013; Van Dijk et al., 2011), climate change (Lefsrud & Meyer, 2012; Mattsson & Junker, 2023), resist against oppression (Martí & Fernández, 2013), social entrepreneurship (Bhatt et al., 2019), sharing or circular economy (Britton & Webb, 2024; Lehmann et al., 2022; Zvoltska et al., 2019), reducing food waste (Närvänen et al., 2021), and smart cities (Guen-duez et al., 2024).

However, there are three critical gaps in current empirical research on IW. *First*, contrary to the focus of the IW approach on agents with resource constraints and low power, a large part of studies have focused on influential and powerful agents, e.g., mature and established government organizations, companies, industries, or NGOs (see Appendix 1 for a detailed overview). Only a few studies have explicitly focused on the IW initiatives of agents with limited power and resources. For instance, Marti and Mair (2009) uncover the institutional works undertaken by social entrepreneurs for poverty alleviation. Focusing on the context of China, Bhatt et al. (2019) have investigated institutional inefficiencies and the process of IW for facing them in the context of social entrepreneurship. Furthermore, Mindel et al. (2024) explore how low-power actors, through institutional work encompassing infrastructure, crowd, and data work, encourage digital activism in the face of institutional resistance.

Second, contrary to the IW's premise of distributed agency, a small number of studies have been devoted to the role played by collective action during institutional maintenance, disruption, or creation and how such collective process is realized. For example, Gonçalves et al. (2024) propose a process model of collaborating with three groups of leaders, supporters, and the community toward institutionalizing the entrepreneurial ecosystem. Perkmann and Spicer (2008), in revealing the conditions under which transitory management fashion becomes institutionalized, have argued that institutionalizing requires political, technical, and cultural work not by a single entrepreneur but through a decentralized partaking.

Third, there is a clear dominance of IW research focusing on market economies with developed institutional contexts (e.g., the USA, UK, Canada,

Germany, France, Netherlands, Australia, and Sweden) where entrepreneurs have less difficulty accessing resources and pursuing their goals, preferences, and businesses. Therefore, despite their inherent value and contributions to IW theory, these studies cannot fully capture the nature and mechanisms of IW strategies in developing countries, an issue addressed in the current paper.

3 Method

Building on the theoretical foundations established in the previous section, this section details the methodological approach adopted in this study. It describes the research approach, case selection, data collection, and analysis techniques used to explore entrepreneurs' motivations and IW amid institutional constraints.

4 Research approach

A qualitative method is well-suited for explicating all entrepreneurs' experiences and intentional practices within a specific context (Lawrence & Suddaby, 2006). Specifically, the current research employed the principles of the extended case study method (Burawoy, 1991, 1998; Pardo-Guerra & Pahwa, 2022; Wadham & Warren, 2014) to address our research questions. This methodology seeks to reconceptualize and extend an existing theory. As Burawoy (1998) argues, the extended case method connects the present to the past toward anticipating the future. Hence, relying upon the extended case method, we begin with a theory, but instead of confirming it, we seek to broaden and extend that theory (Burawoy, 1998; Pardo-Guerra & Pahwa, 2022). The critical premise behind the extended case method is that research should be directed toward continually improving existing theories (Burawoy, 1991). In this way, the extended case method allows for exploring macro-level questions through their everyday manifestations in the micro-level social setting to refine existing respected theories (Wadham & Warren, 2014). Such an approach has been adopted in different works in the entrepreneurship domain aiming to extend the existing theory and find the links and interconnections in different streams of literature (e.g., Andries et al., 2021; Burnell et al., 2023; Palombaro, 2021).

The starting point of our research is the institutional view of entrepreneurship allocation exemplified in Baumol's theory. We raise the critical question of "why and how PE happens under institutional voids," which could not be answered within the current accounts of institutionalism. Borrowing from the IW perspective, we try to answer this critical question through empirical data from the case study. In so doing, we aim to address potential discrepancies between theoretical explanations and actual occurrences on the ground (Wadham & Warren, 2014) about PE amid institutional voids, thereby generating deeper theoretical insights.

4.1 Case selection

Through purposive sampling (Patton, 1990), we sampled ten productive small businesses in our research context (i.e., the Province of Kurdistan, in the west of Iran). Purposive sampling is a method of selecting subjects for a study based on the researcher's judgment to fulfill the study's objectives based on well-defined criteria (Obilor, 2023). Among the various approaches to purposive sampling, we use theory-based sampling. This sampling strategy selects cases representing a particular theoretical construct (Creswell et al., 2007). Since we seek to explore the phenomenon of PE in a given institutional context, our operational definition of PE is our theoretical construct to guide case selection. Scholars use different indicators to operationalize and measure PE, including self-employment (Fritsch et al., 2014), GEM's TEA index (Crnogaj & Bradač Hojnik, 2016), or Business Ownership (Kreft & Sobel, 2005). Hence, there is no consensus on the PE measurement (Borozan et al., 2017). Baumol (1990) describes productive entrepreneurs as geniuses and creative people who choose paths that simultaneously lead to return at both business and national levels, especially through the innovativeness and dissemination of technological discoveries. In this way, PE activities contribute to an economy's net return and lead to wealth creation at both micro (business) and macro (economy) levels. This approach is close to Davidsson's view of entrepreneurship as a social phenomenon. Davidsson (2003) argues that entrepreneurship as a social phenomenon should drive the market and make a difference. These conditions imply that entrepreneurs should employ resources more efficiently than existing businesses. Second, new businesses should influence customers' choices. Third, the entrepreneur's business spurs new and existing competitors'

behavior. A correlation between static indicators of PE (such as self-employment rate or the number of start-ups), Davidsson's indicators, and economic performance is hard to establish (Henrekson & Sanandaji, 2014). In this vein, we should resort to dynamic indices such as innovation or a "new combination of factors" as Schumpeter (1934) introduced. Hence, productivity is reflected in a combination of five factors, including a new good/service, a new method of production, a new market, a new source of supply of raw materials, and a new organization of any industry (*idem*). Additionally, following Gartner (1985), in this study, we define entrepreneurship using a venture creation lens by which entrepreneurship occurs when a new organization is created.

All in all, we followed the Baumol (1990), Gartner (1985), and Davidsson (2003) criteria simultaneously to select PE cases in our research context. Accordingly, we selected our cases among businesses founded individually (Gartner's criteria), combining resources, influencing customers' choices and competitors' behaviors (Davidsson's criteria), and leading to economic returns at both levels of business and economy (Baumol's criteria). For example, one of our cases renewed its business model by accessing suppliers' raw materials nationwide. The other was one of the leading producers of dental implants at the national level.

4.2 Data collection

Inspired by rigorous qualitative research, we employ multiple data sources (i.e., field observation and publicly available documents). However, the heart of our study is the semi-structured interview. As qualitative researchers recommend, the number of interviewees may vary depending on the study goals, the timeframe, the organization under study (Pan & Tan, 2011), cognitive limits, and data availability (Eisenhardt, 1989, 2021). However, it is important to reach data saturation, i.e., to the point that no further incremental learning can be achieved through interviews (Eisenhardt, 2021). In the current study, data collection continued until theoretical saturation was achieved. Twenty-four interviewees from 10 companies participated in our study between September 2022 and December 2022 (19 semi-structured interviews and 1 focus group). Semi-structured interviews were conducted individually. One focus group was conducted to obtain enriched data on our complex phenomenon and perform triangulation (Eisenhardt, 2021) to validate the credibility

of the findings from the semi-structured interviews. It should be noted that in the group interview, discourse among interviewees revealed more profound insights about what we were looking for. Individual interviews lasted an average of 60 min, and the group interview took more time (87 min). No further interviews were conducted once we reached data saturation, i.e., the interviews revealed no new insights on the mechanisms underlying PE occurrence. In addition to the interview with business founders and CEOs, we interviewed some experts, including four government representatives (such as the chamber of commerce members), four business consultants, two serial entrepreneurs, two investors, and one economist, to dive deep into the research context. Collecting data from these complemented participants, we achieved first-hand experiences and insights about our research phenomenon. We also attended three trade association meetings to understand better the critical issues businesses are engaged in. Table 1 provides an overview of interviewees.

4.3 Data analysis

We began each interview guided by a protocol developed priori from our crucial research questions, which asked all participants why they came to start a business, what challenges they faced while running, and how they overcame them. We transcribed the interviews and coded the transcripts to shape initial themes and patterns. It should be noted that we proceeded with the interviewing and analyses together. As each interview progressed, we tried to trace emerging themes. When necessary, the interview protocol slightly shifted as new themes emerged. This iterative process allows future interviews to adapt to new insights gained from previous interviews (Strauss, 1987). Reading and analyzing transcripts, documents, and literature, we generated memos, i.e., pieces of insights that the researcher achieves as she/he proceeds with the analysis (Strauss, 1987). These insights helped us develop higher-level

Table 1 Overview of interviewees

Industry	Product/services	Number of interviewees	Position of respondent	Code
Manufacturing	Energy-efficient equipment	3	Founder	PE1
			CEO	PE2
			CEO	PE3
	Medical equipment	2	Founder	PM1
			CEO	PM2
	Electronics equipment	3	Founder	PE1
			CEO	PE2
			Co-founder	PE3
	Education	local language education	1	Founder
Entertainment	Digital and physical games	2	Founder	ED1
			CEO	ED2
Software	Information analysis	3	Founder	SI1
			CEO	SI2
			Co-founder	SI3
	Information analysis	2	Founder	SI4
			CEO	SI5
Transportation	Web-based trip ticket reservation	3	Founder	TW1
			Founder	TW2
			CEO	TW3
Food services	Restaurant	3	Founder	FR1
			CEO	FR2
			Co-founder	FR3
	Restaurant	2	Founder	FR4
			CEO	FR5

conceptualizations of the data and track the changes in the research teams' thoughts. To refine theoretical understanding, two of the authors matched and contrasted the emerging theoretical interpretations in the memos with the research evidence, i.e., within entrepreneurship allocation theory and particularly Baumol's theory insights (Eisenhardt, 1989). Through several cycles of confrontation between data and theory, the extended case method directs researchers to additional data toward emerging additional concepts and contrasting insights to refine the theory (Danneels, 2007).

To avoid losing our higher-level perspective necessary for theorizing, one of our team members, as a "devil's advocate," adopted an outsider perspective whose role was to critique interpretations (Gioia et al., 2013). If agreements about some coding were low, we reached a consensus on interpretations through rereading the data, mutual discussion, and developing our understanding. The data gathered were organized in NVivo 12, a computer program for qualitative data analysis in a multi-step process.

We grouped memos into conceptual clusters of closely related analytic ideas as a basis to organize the findings (Danneels, 2007). We then compared emerged clusters with existing insights from the entrepreneurship allocation literature (Andries et al., 2021; Danneels, 2002, 2007). Directed by the extended case method approach, existing theory provides a conceptual framework to analyze and interpret data, while simultaneously, data analysis reveals new insight to refine the theory (Danneels, 2007). Inspired by Baumol's allocation theory and related literature, we organized our empirical data within three critical categories of institutional voids constraining entrepreneurs, entrepreneurial motivations toward PE, and entrepreneurs' IWs against institutional voids (see Table 2). Our analyses suggest that we achieved different insights regarding entrepreneurship allocation, as explained below.

5 Findings: PE amid institutional voids

Inspired by our crucial research questions, we explicate the three main dimensions that constitute the core of the PE allocation framework. These dimensions consist of entrepreneurs' motivations to pursue

PE, institutional constraints (i.e., formal and informal) against PE, and entrepreneurs' IW encountering institutional constraints. Relying upon the extended case method analysis of the empirical data and the existing theory were interwoven in revealing the findings of the study (Andries et al., 2021; Danneels, 2007). So, this section will jointly narrate the data and theory stories.

5.1 Entrepreneurial motivations to pursue PE

As Shane et al. (2003) stated entrepreneurs do not play the game of entrepreneurship unless they are willing to become entrepreneurs. This human motivation influences individuals' decisions to pursue entrepreneurial paths and how entrepreneurs allocate resources and undertake the process. Considering the heterogeneity of agents, some recent studies within entrepreneurship allocation literature have been devoted to how entrepreneurs' differences in preferences (Collins et al. 2016), talents (Weitzel et al., 2010), attributes (Hemieleski & Lerner, 2016), and intention (Urbig et al., 2012), influence their actions and behaviors. In this way, our findings revealed that CEOs and co-founders' four motivations (i.e., practical knowledge assimilation, deliberate career strategy, passion, and spiritual sensemaking) are highly important in choosing productive paths in the studied productive businesses. Below, these motivations are studied in detail.

5.1.1 Practical knowledge assimilation

This entrepreneurial motivation element reflects the previous tacit (know-how) or implicit (know-what) knowledge entrepreneurs gain through different experiences and employ toward the current entrepreneurship project. This motivation category has received huge attention in the entrepreneurship literature as the form of human capital (Marvel et al., 2016) but not in entrepreneurship allocation specifically. Our data analysis indicated that this kind of entrepreneurial competency stems from general entrepreneurial experience, i.e., business experience, context-related experience (experience in a particular industry), and being in an entrepreneurial family. For example, one of our CEOs, who emphasized the importance of these previous experiences in shaping know-how knowledge to run a new business, commented:

Table 2 Constructs

Concept (definition)	Key references	Key aspects	Exemplary quotes
<i>Formal institutional voids (gaps or deficiencies in established, official systems and structures that regulate and support socioeconomic activities)</i>	Holmes and Schmitz (2001); Salgado-Banda (2007), Sobel et al. (2007); Sobel, 2008; Gohmann, et al. (2008); Bianchi (2010); Brixiova (2010); Stenholm et al. (2013); Wiseman (2015, 2016); Sheriff and Muffatto (2014); Gohmann et al. (2016); Antony et al. (2017); Mukiza and Kan-sheba (2020); Fu et al. (2020); Matos and Hall, (2021); Eiert and Stenkula (2022); Ajide (2022)	<ul style="list-style-type: none"> • Institutional complexity • Institutional ambiguity • Institutional inertia 	<ul style="list-style-type: none"> • It is still being determined why we must get several irrelevant licenses for our software-based business. • ... The clearance of raw materials from customs takes nearly six months. • The procedure for arranging a contract for a bank loan needs to be clarified • ... Some organizations offer special privileges for some entrepreneurs. • Officials need to refrain from implementing the new tax exemption rules. • As a member of the Chamber of Commerce, I know many laws must be updated and made more valuable. • The Ministry of Industry, Mine, and Trade did not accept the licenses received from the Industrial Estate Company. • ... in some situations, obeying some rules means breaking other laws. • Ninety percent of people said you are wrong to do your business in such a traditional context. • People think that a foreign entrepreneur runs this business. Initially, people thought that a foreigner from Iraq ran this business here. • Entrepreneurs' massive investment in this region is irrational and out of the expectation of local officials. The authorities wondered why anyone intended to make a significant amount of investment in this region...
<i>Informal institutional voids (the weaknesses or inadequacies in long-standing traditions, norms, and customs that guide behavior and interactions, such as socio-cultural beliefs, social sanctions, taboos, rituals, and codes of conduct).</i>	Aidis et al. (2008); Levie and Autio (2008); Sautet (2013); Avnimelech et al. (2014); Fritsch et al. (2014); Wyrwich (2014); Bologna and Ross (2015); Williams and Vorley (2015); Ostapenko (2015); Collins et al. (2016); Crnogaj and Hojnik (2016); Wiseman (2016); Berdiev and Saunoris (2018); Opute et al. (2022); Lee et al. (2022)	<ul style="list-style-type: none"> • Institutional inconsistency • Communities' belief system 	

Table 2 (continued)

Concept (definition)	Key references	Key aspects	Exemplary quotes
<i>Entrepreneurial motivations (a set of stimulating forces emerging from the entrepreneurs themselves and external influences driving them to initiate and sustain entrepreneurial activities)</i>	Weitzel et al. (2010); Hall et al. (2012); Urbig et al. (2012); Collins et al. (2016); Hmieleski and Lerner (2016); Daskalopoulou (2016)	<ul style="list-style-type: none"> • Practical knowledge assimilation • Deliberate career strategy • I tried to save my income to realize my future business plans... • Passion • Spiritual sensemaking 	<ul style="list-style-type: none"> • Previous businesses helped me how to exploit recognized opportunities. • The experience achieved from my previous start-up greatly impacted the quality and success of the current ones. • ... I consciously seek to learn every skill to assist me during business running. • I tried to save my income to realize my future business plans... • A solution for a challenge ultimately led to the discovery of the idea on which our current business is established. • We want to work on cloud computing technology in the future... • I believe in the meaningfulness of my whole life. During business running and development, I have changed dramatically. • ... from the beginning, we have tried to utilize materials to diminish our effect on the environment, which gives us a better sense of serving society.

Table 2 (continued)

Concept (definition)	Key references	Key aspects	Exemplary quotes
<i>Maintaining IWs (actions and strategies aiming at sustaining or reinforcing the institutions that support the socioeconomic activities utilizing a combination of internal and external competencies and resources)</i>	Zietsma and Lawrence (2010); Riaz and Buchanan (2011); Currie et al. (2012); Lefsrud and Meyer (2012); Slager et al. (2012); Micelotta and Washington (2013); Tierney (2022); Barth et al. (2023); Distelmans and Scheerlinck (2024);	<ul style="list-style-type: none"> • Synergizing • Insourcing 	<ul style="list-style-type: none"> • In collaboration with [a university] and [a research institute], we have improved the accuracy of our product. • Well, some of my relationships, such as friendships with some members of the Chamber of Commerce, have helped me advance some things. • Because of sanctions, we couldn't access Swiss-made pieces of machinery. Hence, we made them ourselves. • The difficulty in accessing raw materials led us to produce some of these materials within the company. • Accelerator helped me to perform better in MVP design and marketing.
<i>Disrupting IWs (actions and strategies aiming at breaking, devaluating, or delegitimizing the established norms, rules, or regulatory frameworks that are restrictive, ineffective, or detrimental to socio-economic activities)</i>	Symon et al. (2008); Maguire and Hardy (2009); Dijk et al. (2011); Narvanen et al. (2021); Tierney (2022)	<ul style="list-style-type: none"> • Leveraging • Informalizing • Circumventing • Relocating 	<ul style="list-style-type: none"> • Settling in the Science and Technology Park provided us with facilities, although not much; it also helped us at this stage. • I decided not to register my business at the beginning. • ... We also tend to work without a license because most of the licenses in this section are not helpful. • I manipulated some exchanges to reduce the cost of taxes. Our workforce works part-time and on a project basis • We import some parts of raw materials outside the legal customs procedure. • We opened another office in Tehran and did sales and marketing from there ... • We will not develop the next generation of our business in this area at all...

Table 2 (continued)

Concept (definition)	Key references	Key aspects	Exemplary quotes
<i>Devising IWs (creative and strategic formulation of new methods, practices, or structures intended to enhance the functionality, relevance, or effectiveness of existing institutional systems)</i>	Marti and Mair (2009), Rojas (2010); Zilber (2011); Helfen and Sydow (2013); Jones and Massa (2013); Raviola and Norbäck (2013); Gawer and Phillips (2013); Barin Cruz et al. (2016); Granqvist and Gustafsson (2016); Bhatt (2017); Troshani et al. (2018); Zvojska et al. (2019); Raghubanshi et al. (2021); Lehmann et al. (2022); Tierney (2022); Bulah et al. (2023); Mindel et al. (2024);	<ul style="list-style-type: none"> • Mobilizing • Advocacy • Legitimizing 	<ul style="list-style-type: none"> • During numerous meetings with other local businesses, we found that we have to design and implement a procedure ourselves to provide our required human resources. • Influencing inefficient rules and standards is only possible if we pressure local authorities. • We convince local officials to pressure the national legislators to modify the laws and procedures. • We informed local authorities that through the number of strict controls, their costs would be reduced. • The local community would also benefit from infrastructure improvements, so we try to bring them along. • The positive consequences of previous businesses in improving employment and income made the local community welcome our business.

“We have a family business that was started by my grandfather and left to my father. What I experienced in this family business greatly influenced my confidence and desire to start my own independent business”.

Some of our founders believed that business experience provided them with practical knowledge, such as knowledge of markets, how to serve needs, customer problems, and industry rules of the game.

One of our founders emphasized the importance of previous experiences as an avenue to controlling and alleviating business running requirements and challenges:

“As a student, two of my classmates started an online business. Of course, I was only helping them move things forward, and for some reason, I was part of the temporary founding team. However, that experience taught me many things about rules, standards, and regulations governing that industry”.

Our entrepreneurs believed that attaining general and context-specific knowledge through previous experience was critical in choosing the current path.

5.1.2 *Deliberate career strategy*

This aspect of entrepreneurial motivation relates to entrepreneurs’ deliberate and strategic desire to embark on entrepreneurial careers and manage a new venture. This form of motivation aligns with the concept of entrepreneurial intention, which describes the conscious mindset that comes before action and focuses attention on achieving a specific goal, like launching a new business (Bird & West, 1998). Urbig et al. (2012) have suggested that individuals with higher entrepreneurial intentions are more prone to invest in productive opportunities. Our data suggested that this kind of motivation captures the entrepreneurs’ marked tendency to plan, get knowledge about business running, participate in entrepreneurial events, or not consider employment in government agencies as a future career. Two of our entrepreneurs commented:

“The startup decision and actual actions did not occur overnight and by accident for me. I planned to exert effort to perform entrepreneurial action and, in this way, directed my atten-

tion, experience, and behaviors toward such an intentional effort”.

“Whatever I got, I followed everything related to entrepreneurship in all social media, websites, articles, speeches, events, and workshops.”

Hence, entrepreneurs’ pro-activeness toward seeking entrepreneurship-oriented information, experience, and practices was one of the critical elements influencing their decision to choose productive paths. In keeping with existing conceptions in the literature, we recognized this component of entrepreneurial motivation as entrepreneurial intention.

5.1.3 *Passion*

Our empirical data showed that passion, i.e., a desire to perform (Philippe et al., 2010), is one of the important motivations toward PE in inefficient institutional contexts. Over the past decade, passion has attracted significant scholarly attention in the entrepreneurship literature (Newman et al., 2021). However, exploring the role of such a critical motivation in entrepreneurship allocation has been largely ignored. Cardon et al. (2017) highlight three dimensions of passions: passion for inventing, passion for running a new business, and passion for developing a business. Our findings also highlight the significance of passion for inventing and business development as motivational mechanisms of PE amid institutional voids. The following quotes can better explain these passions:

“It happened many times when we were working on a business idea; we lost track of time. Sometimes, we worked 24 hours a day nonstop. You will not believe it if I tell you that once, I was in my office for three whole days.”

“Now, our services are used by different organizations in different cities. However, when you experience success, you realize it is just the beginning. All our efforts are to expand our market abroad. In the first stage, we target border countries such as Iraq and Turkey”.

5.1.4 *Spiritual sensemaking*

This indicates that entrepreneurs possess deep inner beliefs that influence their worldview beyond rational

expectations concerning themselves, events, and surrounding environments. Although entrepreneurial spirituality has been recognized as an influential force confronting obstacles, future uncertainty, or scant social support (Ganzin et al. 2020), within entrepreneurship allocation literature has been largely overlooked. It seems that spirituality should be considered a critical motivation behind PE in situations of institutional hostility. According to data analysis, deep internal values lead to an interpretation of reality different from the traditional view of rational people. For example, despite environmental obstacles and uncertainty, our entrepreneurs approached their work and life with greater joy. They saw profound meaning in what they were doing in their daily life and their businesses. They perceived environmental turbulence as an opportunity to grow, learn, and self-fulfill. The following observations exemplify the spiritual sense-making among entrepreneurs:

“I think we are responsible for each other in ourselves, our God, our family, even those we do not know, and our community. We cannot ignore this responsibility. “We are responsible for doing things that improve ourselves and others’ lives”.
 “I always imagine a transcendental force in my mind that imperceptibly guides me. I know it is hard to explain, but I have seen and felt the presence of this force all over my life.”

5.2 Formal institutional voids

The main premise behind entrepreneurship allocation theory is the influence of formal institutions on the direction of allocation. So, it is expected that a huge volume of research in entrepreneurship literature, generally and particularly entrepreneurship allocation, has been devoted to the role of institutions in directing entrepreneurship towards different paths. Current studies have focused on which institutional arrangements lead entrepreneurs to PE, e.g., trade policies (Holmes and Schmitz Jr, 2001), patent application (Salgado-Banda, 2007), economic freedom (Gohmann et al., 2008; Sobel et al., 2007), tax rules (Brixiova, 2010), insolvency legislation (Fu et al., 2020), and government control of corruption (Ajide, 2022). The current research focused on the quality of institutions and identified four kinds of formal institutional quality constraints hindering entrepreneurs during PE. We describe them in detail below.

5.2.1 Institutional complexity

This dimension of formal institutions reflects the degree of complication and entanglement in rules and procedures that entrepreneurs must abide by. As entrepreneurs reported, the obligation to enforce these rules postpones business running and development and imposes staggering costs on their businesses. These cumbersome (and in some situations) redundant procedures involve tax policies, labor market rules, employing rules, startup permissions, business registration, financing procedures, etc. Such complexity is reflected in unrelated requirements and procedures within the entrepreneur’s field of work, unnecessary standards, enforcing contracts, and strict monitoring by inspection agencies. This sub-dimension is exemplified in the following vignette:

“This process is so time-consuming and complicated for us; the Taiwanese types of machinery built for three months has now been waiting for clearance at Bandar Imam customs for six months.”

Related to financing procedures, another entrepreneur explained:

“When you go to the banks to get a loan, it is impossible to understand the procedure of arranging the bank contract. The bank adjusts its contract so that you do not understand its working process”.

5.2.2 Institutional ambiguity

A part of institutional inefficiency in our research field goes back to the lack of transparency in legal procedures. In effect, regulations mislead entrepreneurs to follow routines instead of guiding entrepreneurs’ business behaviors. In such an ambiguous situation, entrepreneurs are confronted with dilemmas like lack of impartiality in law enforcement, rent-oriented excellence for some people and businesses, or unclear procedures for implementing contracts as presented in the following descriptions of our informants (a serial entrepreneur):

“Credit information systems utilized to reduce the challenge of information asymmetry between borrowers and lenders in such ambiguous situations are useless, especially for entrepreneurs.”

In this way, the increased regulatory cost entrepreneurs face makes it more challenging to do business.

5.2.3 Institutional inconsistency

This subdimension of formal constraints represents inconsistency among regulations, procedures, and standards enforced by different organizations. Entrepreneurs must obey requirements when exploiting entrepreneurial opportunities, running businesses, and maintaining operations. Within such inconsistency, entrepreneurs should find compatible prescriptions and demands from different institutions and players, such as guilds. Entrepreneurs reported competing contradictory demands from various formal regulations restricting their actions.

The following description represents this kind of institutional constraint:

“When you provide several different but complementary services in your business, each of them fits into the certain union regulation, legislators will protest guild interference has taken place, and in this vein, each union poses problems and restrictions on your business from their legal point of view.”

5.2.4 Institutional inertia

This reflects legislators’ failure to modify outdated regulations and their lack of effort to update formal arrangements to meet entrepreneurs’ demands. Some formal rules and regulations that entrepreneurs must adhere to date back to the last decade. In addition, organizations and officials have not attempted to change and update these procedures. Even in some cases, inflexibility and rigidity in formalized rules lead to lawsuits against entrepreneurs.

One of our entrepreneurs described this dilemma as the following:

“Lack of flexibility in hiring workforce, including fixed-term contracts or mandatory minimum wage, has been designed in favor of employees but ignores entrepreneurs’ resource limitation and leads to a misallocation of firm resources.”

Another entrepreneur explained:

“In practice, they put the law book in front of us and say yes, you are right, but because the law is written like this, no tax discount is given.”

5.3 Informal institutional voids

Formal institutions are embedded within a more profound, broader level of context, i.e., informal institutions (DiMaggio, 1988; North, 1991). Hence, drawing a clear, realistic picture of entrepreneurship allocation in each context would not be possible unless simultaneous consideration and exploration of formal and informal arrangements are undertaken. A critical part of research within entrepreneurship allocation literature has focused on the role of informal institutions specifically or their combinations with formal institutions. The most explored informal arrangements have been corruption (e.g., Avnimelech et al., 2014; Berdiev & Saunoris, 2020), network (e.g., Aidis et al., 2008), and culture (e.g., Fritsch et al., 2014). Our analysis indicated that the *community’s belief system* is the main informal institutional arrangement influencing entrepreneurs. We elaborated on it below:

5.3.1 Community’s belief system

This aspect of informal arrangements reflects the people’s shared understanding within the context of disbelief in the region’s entrepreneurial potential. It means that people believe that this region does not possess the critical resources and capabilities to realize entrepreneurship. Our data suggested that entrepreneurs’ families and other influential peoples, groups, and organizations, e.g., officials, investors, financial institutions, or customers (local or non-local), are skeptical about the success of entrepreneurial projects. First, at the micro-level, most of our entrepreneurs stated that their families strongly opposed starting a business in such a context. One of our young entrepreneurs described:

“When my family and friends saw my decisive willingness to start a business, they tried to prevent me from running the firm here.”

Second, even local people strongly believe in the impossibility of entrepreneurial success, so the realization of massive investment in business plans by entrepreneurs and local entrepreneurs is far from reality. One of our serial entrepreneurs described:

“Earlier, it was thought that an investor from Iraq or Turkey had done this. That is, there is so much distrust in investing in our geography”.

Third, most local investors assume investment in entrepreneurial projects leads to failure in this region, exit their financial capital, or decide to invest in unproductive activities such as rent-seeking or arbitrage. They even encourage others to pursue the same path. Our observations are exemplified in the following description:

“It might be funny to say most of the people of the community when finding out that I have invested lots of money here to run a business doubt my mental health.”

Fourth, such disbelief faces our entrepreneurs with a challenge in product marketing and sales and convincing customers (local and non-local) to purchase. One of our entrepreneurs explained this challenge as follows:

“Well, the customers did not believe us when we talked about the products produced here. Can you believe we even had to arrange a factory tour for them?”.

Fifth, this lack of belief in the region’s entrepreneurial potential leads financial associations, particularly bankers, to resort to more strict lending procedures. Bankers justified these unrealistic strictures so that since the failure of entrepreneurial projects is very likely, these rigorous procedures guarantee our return on investment. The distinctive finding of this study is that previous studies have explored the substitute mechanism of supportive, informal institutions in the face of adverse formal institutions (Aeeni et al., 2019a). Considering scant research studying the simultaneous influence of formal and informal arrangements on entrepreneurship allocation, our study has explicated how the asymmetric adverse influence of formal and informal institutions affects PE and entrepreneurs’ actions. Harmful informal arrangement- i.e., disbelief in the community’s entrepreneurial potential can couple with the effects of formal constraints and negatively impact the decisions to pursue PE. Additionally, by putting down PE, formal voids may deepen the negative effects of informal institutional voids.

5.4 Entrepreneurial IW in responses to institutional constraints

In response to the call for incorporating agency into institutional explanation toward understanding how entrepreneurs pursue their desires and interests within ill-functioning institutions (Elert & Henrekson, 2021;

Harmon et al., 2019; Kalantaridis, 2014), a critical part of our study has been devoted to entrepreneurs’ IW toward choosing productive paths.

Although the range of strategies revealed in the IW literature is diverse and growing (e.g., advocacy, educating, bridging, mobilizing, convening, bricolage, boundary work) (Nilsson, 2015), it is unclear which strategies entrepreneurs employ to pursue productive paths amid institutional constraints. There are a few studies within entrepreneurship allocation literature exploring productive entrepreneurs’ responses to institutional inefficiency. Scant research has focused on entrepreneurial actions under the label of IE. However, considering the inconsistency between IE’s underlying assumption (see Sections 2.2.2 and 2.2.3) and what is going on in the real world, our study has explicated entrepreneurs’ responses to institutional void within the approach of IW.

Under the rubric of the IW perspective, our analysis showed three plausible pathways of maintaining, disrupting, and devising by which productive entrepreneurs try to overcome institutional hostility. Institutional maintenance manifested in efforts to cope with current institutions through specific strategies. Our research showed that entrepreneurs try different strategies for maintaining, including synergizing, insourcing, and leveraging, allowing them to rely on their organizational capabilities and networks to leverage opportunities provided by third parties, including technology parks, incubators, universities, etc. Disruptive IW strategies manifested in efforts to avoid harmful effects of institutions when situations were seen as occasions to challenge or threaten the entrepreneur’s business. On such occasions, entrepreneurs exploit informal means of doing business (informalizing), change the location of the business (relocating), or bypass the regulations (circumvention). Finally, through devising strategies, including legitimization, mobilization, and advocacy, entrepreneurs gain support from their local community, business network, and local officials to establish new structures and institutions to support their PE. Below, we have discussed these strategies.

5.4.1 Maintaining IWs

Inspired by Lawrence and Suddaby (2006) the conceptualization of IW, our data structure allows us to categorize entrepreneurs’ responses to institutional

voids into maintaining, disrupting, and creating/devising. Data analysis suggested that entrepreneurs resort to three strategies to be loyal to current institutions, even ill-functioning ones in the first level. They try to connect with key stakeholders such as customers, suppliers, consultants, complementary businesses, research associations, and politicians. We label these initiatives as *synergizing*. By synergizing, we refer to actively combining and coordinating efforts, resources, or talents among individuals or groups to achieve outcomes greater than what could be accomplished independently. One of our entrepreneurs described this strategy as follows:

“Well, some of my relationships, such as friendship with some members of the Chamber of Commerce, the officials and managers of some public organizations such as the Iran Small Industries and Industrial Parks Organization (ISIPO), and the Industry, Mining, and Trade Organization, have helped me receive some requirements.”

The second strategy entrepreneurs utilize toward institution maintenance is *insourcing*, which means relying on internal resources or capabilities to perform tasks or produce goods rather than depending on external or foreign providers. For example, entrepreneurs try to produce some critical raw materials by themselves. Some entrepreneurs sought to develop vital technology to deliver final production or improve the quality of products and services. One of our entrepreneurs described applying this strategy as follows:

“The difficulty of accessing raw materials led us to produce some of these materials within the company, although we have not yet achieved the desired quality.”

The third strategy is *leveraging*, which captures the act of using intermediary institutions, such as accelerators or technology parks, to gain advantages or support in areas like MVP design, marketing, and access to facilities. Intermediaries such as research institutions, incubators, or accelerators allow entrepreneurs to deal with current institutions by providing resources and know-how knowledge of doing things. One of the entrepreneurs explains:

“Well, settling in the university incubators and science and technology park not only exempted us from burdensome regulations such as registering the firm but also made it easy for us to achieve bank loans.”

5.4.2 Disrupting IWs

Research evidence within the institutional work (IW) literature has highlighted the intentional initiatives of agents to maintain current institutional arrangements in favor of their purposes (e.g., Barth et al., 2023; Currie et al., 2012; Leca et al., 2009; Micelotta & Washington, 2013; Willmott, 2011). However, the current research study has uncovered that entrepreneurs' attempts to comply through certain strategies can reproduce inefficient institutional arrangements. This suggests that coping with current institutional voids can have the unintended consequence of maintaining these existing, inefficient institutional structures.

In the second level, where it is impossible to follow existing arrangements, entrepreneurs try to disrupt ill-functioning institutions through three critical strategies: *informalizing*, *circumventing*, and *relocating*. As discussed earlier, entrepreneurs facing institutional voids utilize strategies to neutralize the harmful effects of these institutions. Agents are not able to work in existing institutions and try to break them (Lawrence & Suddaby, 2006). Relying upon destroying their relationship with institutions and contravening legal control (Barth et al., 2023), entrepreneurs would make themselves less affected by the destructive influence of institutional voids. Some entrepreneurs rely on informalizing to do so. By informalizing, we refer to shifting activities, practices, or operations from a formal, regulated context to an informal, unregulated one. For example, they do not register their business or prefer to postpone obtaining necessary permits. One of our entrepreneurs explained:

“In the first startup, we were looking for a simple license for about six months, and in the second startup, we did not get any license and were more successful. This is easier if someone works without a license, and we also tend to work without a license because most of the licenses in this section are not useful”.

In some situations, especially due to the lack of cooperation of intermediary institutions, entrepreneurs attempted a circumventing strategy. By circumventing, we mean strategic actions entrepreneurs take to bypass or avoid institutions' restrictive or counterproductive aspects. Sometimes, they tried to bypass intellectual property rights to obtain data. In other cases, entrepreneurs avoided costly tax policies, labor market rules, or social security payments for their employees or themselves. For example, a young entrepreneur described:

“Well, to be honest, paying irrational taxes in the current situation puts so much pressure on my business that I have evaded paying taxes many times with a few accounting tricks. I do not record some of our transactions so that my tax rate will not be too high”.

Some entrepreneurs avoided recording their employees' information in official systems or did not meet the minimum wage and working hours requirements. The high import tariff rate, on the one hand, and inefficient customs clearance rules, on the other hand, forced entrepreneurs to smuggle in some cases.

Finally, the adverse impact of institutional arrangements, especially disbelief in the region's entrepreneurial potential, led some entrepreneurs to try *relocating strategies*, i.e., to exit the local market by opening a new office in another place or moving the business to another context. Our entrepreneurs described this decision as follows:

“Last year, through a third party, we negotiated for two months to take a valuable order from a customer. However, they canceled their order when they found out where the product is produced.”

5.4.3 Devising IWs

In the third level, entrepreneurs attempt to modify existing institutional arrangements or, as we titled, devise new ones. Previous studies have provided empirical evidence of how institutional entrepreneurs, as powerful and resource-rich agents, leverage their resources and capabilities to influence institutions (Leca et al., 2008). However, aligning with the notion of distributed agency within the IW

perspective (Lawrence & Suddaby, 2006; Raviola & Norbäck, 2013), our findings reveal the pattern of collective action during entrepreneurship allocation. Unable to access enough resources and power to change institutional inefficiencies, productive entrepreneurs gather different groups of individuals and organizations possessing different resources, capabilities, motivations, and positions toward institutional change and creation. Specifically, they use three strategies: *mobilizing*, *advocacy*, and *legitimizing*. Mobilizing can be defined as organizing, preparing, and activating resources—such as people, materials, or strategies—towards achieving specific goals (in our case, improving the structures and institutions). By advocacy, we mean lobbying for laws or policies that support productive entrepreneurship. The authors have used legitimizing to explain the process of making business activities acceptable, justified, or officially recognized within a certain context or by a specific group of stakeholders. These three strategies are complementary to each other. According to our findings, entrepreneurs targeted three groups of local officials, other businesses in the ecosystem, and people in the local community. By clarifying the mutually beneficial interdependence between these three groups' interests, entrepreneurs convinced them to be part of the institutional modification or change process. Improving the social and economic condition of the community (e.g., increasing people's incomes and employment), enhancing the development indicators of the region as an improved performance of local government, and finally, creating a business-friendly environment for existing firms and newcomers could be an interdependent interest through which entrepreneurs attract different stakeholders' cooperation. Perkmann and Spicer (2008) state that “decentralized partaking,” engaging different but complementary actors, would result in institutional transformation. One of our entrepreneurs described how to employ such collective complementary strategies:

“We knew that because of the competition between different regions, local governments face functional and political pressures. Hence, we tried to convince them that if they want to level up the region's economic and social growth, they must try to modify ill-functioning rules and procedures”.

In another example, one of our entrepreneurs explained a legitimizing strategy:

“It was evident that people wished to have a better life in the community by making more money, having secure, reliable jobs, and sophisticated infrastructure for education, hygiene, and health. So, focusing on such interests, we tried to make them aware of the positive consequences of developing productive businesses and related infrastructures. We explained that these businesses provide them with valuable opportunities for a better economic and social life. In this way, we attracted their collaboration to transform ill-functioned institutions”.

6 Discussions

In the original version of entrepreneurship allocation theory, entrepreneurial behaviors have been theorized as the response to the incentives provided by the institutions. Although scholars have argued for the need to explicate the reasons and mechanisms behind entrepreneurship occurrence within unfavorable institutions (Aeeni et al., 2019a; Onsongo, 2019; Sakhdari et al., 2020; Staggs et al., 2022; Sydow et al. 2022; Urbano et al., 2019), the lost piece within the institutional perspective has been entrepreneurs’ initiatives and their interaction with institutions in which they are embedded (Lawrence et al., 2011). Regarding the under-explored questions of why, how, and under what conditions entrepreneurs engage in PE, we adopted an exploratory approach to uncover the dynamic interrelations between institutional factors on the one hand and the entrepreneur’s agency on the other.

The main contribution of this study is shedding light on IW strategies and entrepreneurial motivations interacting with institutional constraints to realize PE within inefficient institutional contexts. Consistent with previous evidence (Moisander et al., 2016; Voronov & Vince, 2012), the results of the study highlighted the important role played by entrepreneurial motivations. Equipped by four influential motivations, i.e., deliberate career strategy, spiritual sensemaking, passion, and practical knowledge assimilation, entrepreneurs choose to take productive paths despite the hostility of institutional context. We

observe that institutional voids during business running and development (i.e., four formal and one informal) make it difficult for entrepreneurs to exploit their motivations in favor of productive outcomes. These institutional constraints are complexity, inconsistency, ambiguity, and inertia (formal) and community belief systems (informal). The study found that in response to these institutional constraints, entrepreneurs rely on different categories of maintaining, disrupting, and devising IW strategies whereby entrepreneurs try to cope with, neutralize, or transform institutions. Hence, aligning with the IW interaction premise (Lawrence et al., 2011), PE can be realized in the interplay of institutional constraints, entrepreneurs’ IWs, and motivations.

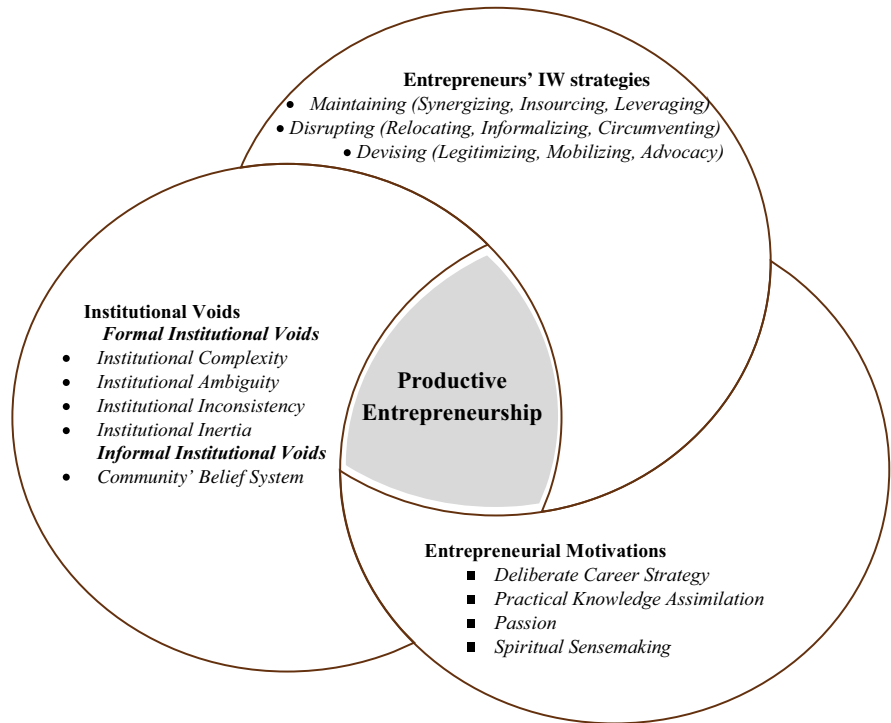
Figure 1 graphically represents our findings, which have several key theoretical implications. In the next sections, we discuss how we contribute to ongoing conversations within entrepreneurship literature and entrepreneurship allocation specifically.

6.1 Entrepreneurial motivations stimulating PE

Some recent studies have shown that entrepreneurs are heterogeneous in some preferences, capabilities, and purposes (Collins et al., 2016; Daskalopoulou, 2016; Desai et al., 2013; Hmieleski & Lerner, 2016; Stenholm et al., 2013). Our findings expand on this evidence, suggesting that four distinct kinds of entrepreneurial motivations (i.e., spiritual sensemaking, deliberate career strategy, passion, and practical knowledge assimilation) drive entrepreneurs to choose productive paths despite institutional inefficiency. Our findings offer two potential contributions to the literature on the micro-foundations of entrepreneurship allocation.

First, according to our research, entrepreneurs are often motivated by a strong passion for their work, which arises from engaging in meaningful entrepreneurial activities. This passion is a critical factor that drives entrepreneurs to pursue productive paths, even in the face of institutional challenges. Studies have shown that passion, characterized by positive feelings and attitudes, can transform individuals’ talents, interests, and efforts into productive actions that benefit society (O’Keefe et al., 2018). Passionate feelings and attitudes are critical in shaping an individual’s self-identity and, as a result, play a crucial role in determining entrepreneurial behavior and

Fig. 1 Productive entrepreneurship within institutional voids (Source: Research Findings). Note: The shape does not represent causality, variance, or statistical significance, nor does it indicate the size or magnitude of the effects. The intertwined circles convey the idea that PE is realized in the interplay of entrepreneurs' motivations, IW strategies, and institutional voids



its outcomes (Huyghe et al., 2016; Santos & Cardon, 2019). Individuals' strong feelings to perform any meaningful task regardless of contextual constraints such as uncertainty or resource scarcity (Moses et al., 2016; Türk et al., 2020) reinforce the entrepreneur's resilience against contextual hostility (Breugst et al., 2012; Cardon & Kirk, 2015). Entrepreneurs with higher levels of passion tend to estimate their capabilities higher during business running and development (Li et al., 2020). So, it can be concluded that passion is a critical motivation for entrepreneurs to pursue productive paths despite institutional inefficiencies.

Second, exploring the role of spirituality in entrepreneurial decisions and behaviors has recently drawn increasing interest among entrepreneurship scholars (Balog et al., 2014; Fernando & Jackson, 2006; Ganzin et al., 2020; Liu et al., 2019; Mauksch, 2017). Entrepreneurship is a value-oriented action (Balog et al., 2014). Hence, the entrepreneur's value structure and personal beliefs could be a more potent driver than financial return, power, or social status. During inevitable situations such as uncertainty, ambiguity, resource scarcity, or institutional hostility, turning to spiritual beliefs helps

entrepreneurs overcome destructive emotions and reinforce cognitive capabilities (Cardon et al., 2011; Kupor et al., 2015). These research findings somehow reinforce the concept of spiritual sensemaking explored in our study, in which we highlight the importance of spiritual tendencies and sensemaking of entrepreneurial acts and their personal and socio-economic impacts. In line with our findings, Neubert et al. (2017) have found that spiritual entrepreneurs who face institutional voids persist in pursuing entrepreneurship despite institutional dilemmas. Spiritual entrepreneurs feel greater personal control over their fate, which in turn stimulates them to evaluate the possibilities of challenging initiatives positively (Chan et al., 2014; Neubert et al., 2017), which enhances their willingness to undertake entrepreneurial careers despite uncertain futures and low community expectations of entrepreneurial success (i.e., the central detrimental informal institution, according to our findings) (Ganzin et al., 2020). Entrepreneur's trust in a broader cosmological belief system (Ganzin et al., 2020) and resorting to future-oriented sensemaking (Gephart et al., 2010) equip them with deep personal commitment and meaning (Balog et al., 2014) regardless of scant support from

others (according to our findings family and friends, investors, officials, or community). Furthermore, the pro-social entrepreneurial intentions of spiritual entrepreneurs lead them to create shared value, which means they put people and community interests before their business profit (Driver, 2012). Seeing beyond self (Singh et al., 2016), entrepreneurs struggle with institutional inefficiencies to exploit such shared value and make a difference in others' lives. In line with such evidence, higher levels of spirituality lead entrepreneurs to undertake costly, burdensome, productive paths despite the profitability of unproductive initiatives. Overall, our findings support the role of motivations toward realizing PE in inefficient institutional contexts.

6.2 Institutional voids constraining PE

Extensive empirical evidence in the literature supports the role of formal institutions as the main determinants of choosing different paths (i.e., productive, unproductive, and destructive) by entrepreneurs (Boudreaux et al., 2018; Brixiova, 2013; de Mello et al., 2022; Sorgner & Wyrwich, 2022; Webb et al., 2020). Consistent with such findings, we found four critical formal institutional constraints of complexity, inconsistency, ambiguity, and inertia that make the contexts hostile to entrepreneurship. Such constraints affect the incentive structure (North, 1991), increasing the transactional and operational costs of running and developing businesses. Although research evidence reveals the influence of a different range of formal institutions on entrepreneurship allocation (e.g., Aeeni et al., 2019a), providing a typology of such institutional constraints provides the policymakers with an analytical tool to elaborate institutional arrangements to encourage productive resource allocation.

Although the sole emphasis on formal arrangements would not be able to depict a decent explanation of entrepreneurship allocation (Elert & Henrekson, 2021; Henrekson & Sanandaji, 2014; Kalantaridis, 2014), there is less empirical evidence about the influence of informal institutions on the entrepreneur's decision to choose a particular path (Light & Dana, 2013) alongside formal institutions (Webb et al., 2020). Additionally, scholars have considered mainly informal institutions as compensatory mechanisms for formal institutional inefficiency

(Mathias et al., 2015; Webb et al., 2014). Regarding the binding effect of informal institutions on entrepreneurship allocation (Berdiev & Saunoris, 2020; Webb et al., 2020; Williams & Vorley, 2015; Wiseman, 2015), this study identifies and explicates the essential informal arrangement that surpasses barriers against PE. Our findings suggest that "the community's belief system" is the principal informal barrier against choosing productive paths. People's disbelief in their region's entrepreneurial potential at different levels forms a long-standing resistance to starting a new business.

Khanna and Palepu (1999) suggest that informal institutional voids are the inability of society's norms, values, and beliefs to facilitate people's reliable, trusty, and stable transactions that would deter entrepreneurs from productive initiatives. Webb et al. (2020) mentioned different institutional voids affecting agents, including patriarchal-based systems, elites' unique position to leverage their power in favor of their interests, belief systems conventions inconsistent with knowledge-based facts, and lack of trust in society. Our findings show that the community's belief system is the main reason behind informal institutional voids in the research context. In line with our findings, Webb et al. (2020) argue that communities with such informal voids provide less support for their entrepreneurs.

6.3 Entrepreneur's IW in response to institutional voids

Building upon the categorizations of institutional work (IW) by Lawrence and Suddaby (2006), our study and the broader body of research both corroborate and challenge existing frameworks, suggesting a more complex interaction of strategic behaviors that vary by context, power dynamics, and resource availability. In our research, strategies such as Synergizing, Insourcing, and Leveraging align with traditional maintaining IWs, extending beyond mere adherence to institutional norms to indicate a proactive, strategic manipulation of existing structures. However, this view contrasts with findings from Mindel et al. (2024) and Marti and Mair (2009), where under-resourced actors utilize less confrontational strategies like experimental projects and small-scale advantages due to their limited power and resources. These distinctions highlight a critical gap in how different contexts and power levels influence the choice and success of IW strategies.

Further, our study's disruptive strategies, such as Informalizing, Circumventing, and Relocating, resonate with Lawrence and Suddaby's framework but are expanded by evidence from Marti and Mair (2009) and Jones and Massa (2013) report that social entrepreneurs in resource-constrained settings engage in what can be termed as inclusion work, involving recognition, responsibilities, and reflective judgment to navigate ethical dilemmas. This expands the scope of disruptive IW by incorporating ethical and community engagement dimensions, emphasizing relational dynamics over mere rule-breaking. Comparatively, the devising strategies we identified—mobilizing, advocacy, and legitimizing—align with the findings of Bhatt et al. (2019), who observed advocacy and education as mechanisms to navigate regulatory and socio-cultural challenges. The broader literature points to a differentiation in strategy application based on organizational type, as seen in Zvolska et al. (2019), where for-profit and non-profit organizations diverge significantly in their IW approaches, with non-profits focusing more on legitimation through differentiation from mainstream entities.

These observations critically underline the diverse applications of IW strategies, suggesting that the effectiveness and choice of such strategies are heavily contingent upon the actors' social position, resource availability, and the specific institutional inefficiencies they face. Our findings, while corroborating some aspects of Zvolska et al. (2019) framework, push the boundary by suggesting that strategic institutional work is not only about adhering to, disrupting, or creating norms but also about navigating, negotiating, and sometimes circumventing these norms in ways that are deeply influenced by the actors' contextual constraints and opportunities. This critical examination reveals a dynamic interplay of strategies adapted to the unique challenges and opportunities of varying institutional contexts, suggesting a layered and complex landscape of institutional work that extends beyond the foundational categorizations.

7 Contributions

The first insight of this study concerning the entrepreneur's agency is that facing hostile institutions, productive entrepreneurs would resort to unproductive processes, as we mentioned (i.e., entering the

informal sector or bypassing the rules). Based on Baumol's conceptualization of entrepreneurship typology, there seems to be a distinct border between productive, unproductive, and destructive entrepreneurship. However, our findings showed that PE (i.e., product/service or process innovation) encountering hostile institutions may be realized through unproductive practices. So, it should be argued that there is no specific borderline between entrepreneurship typologies. In some situations, entrepreneurs committed to productive initiatives are forced to employ unproductive or destructive IWs.

The second insight can be related to IE (DiMaggio, 1988; Dorado, 2005; Garud et al., 2007; Ko & Liu, 2021; Singh et al., 2016). Most research within allocation theory has shown that institutional entrepreneurs leverage their in-hand resources solely to modify or exploit institutional void in favor of themselves (Elert & Henrekson, 2017; Henrekson & Sanandaji, 2014; Kalantaridis, 2014; Maguire et al., 2004; Smallbone & Welter, 2012). Although the IE lens has provided valuable insights into how purposeful actors leverage their resources in shaping the institutional context (Garud et al., 2007; Sotarauta & Pulkkinen, 2011), its overemphasis on the entrepreneur as a rational, independent, autonomous hero equipped with sufficient resources and effective strategies (Leca et al., 2009) remains challenging. It ignores how entrepreneurs possessing fewer resources and power change unfriendly institutions to realize PE (Ko & Liu, 2021; Sydow et al., 2022). The current study, relying upon the IW approach, addresses that call by unfolding strategies employed by productive entrepreneurs. Building upon the existing research, we argued that not all actors have access to sufficient skills, resources, and power to influence the process of institutional transformation (Gawer & Phillips, 2013), especially in inefficient institutional arrangements (Aeeni et al., 2019b; Zhou, 2014). Aligned with the concept of distributed agency within the IW approach (Beunen & Patterson, 2019; Greenwood et al., 2002; Lawrence et al., 2011; Raviola & Norbäck, 2013), our results showed that resource-poor productive entrepreneurs who are incapable of influencing institutions solely decide to cooperate with other agents who have a strong will to change harmful institutions. Entrepreneurs deploy their limited resources and capabilities to convince other complementary stakeholders, especially local

legislators, other businesses, and the local community, to direct their efforts and resources to modify current institutional arrangements or devise new ones. Our findings resonate with the idea of the complexity of institutional change and its multifacetedness (Dorado, 2005), highlighting that this change requires the collaboration of a group of dispersed actors with interdependent interests beyond individual actors' capabilities (Möllering, 2007; Perkmann & Spicer, 2008; Wijen & Ansari, 2007).

According to our results, productive entrepreneurs bring collective resources and capabilities from divergent actors with different interests, such as academic associations, trade unions, industry associations, politicians, community council members, and other active businesses, to initiate institutional changes. Realizing that they would not be able to change the unfavorable conditions individually, entrepreneurs get together two groups of actors, i.e., the one with power, extensive networks, and resources (e.g., large businesses, chamber of commerce members or officials) and the other with motivation but not the power and networks (e.g., local community people or local NGOs). Through clarifying mutual interests, expressing a goal-oriented agenda, and the promising consequences of institutional modification and change, productive entrepreneurs deal with convincing others to be part of the institutional transformation. In line with Sydow et al. (2022), our findings show that entrepreneurship's economic and social outcomes promoted local officials to pressure national governments to modify taken-for-granted inefficient rules and regulations. Entrepreneurs and their coalition engage in collective IW by developing and promoting a shared perspective of a desired future (Beunen et al., 2017; Hampel et al., 2017). The cumulative effect of such a coalition enables entrepreneurs to realize IW through co-creating novel solutions in response to institutional inefficiencies. Overall, Institutional change is a collective endeavor that would not be realized unless multiple actors get together (David et al., 2013).

Finally, the current research is one of the first studies applying the IW perspective to explain PE amid institutional constraints in the context of developing countries. The application of IW is particularly important since how cooperation among disparate actors leads to change in institutional arrangements has not received much attention in institutional theory, specifically in the IW literature (Gonçalves

et al., 2024; Hampel et al., 2017). Moreover, exploring PE in a developing country is important since our results showed that IW strategies for PE in such a context could be different from mainstream IW research in developed economies. Therefore, insights from our research findings can provide an empirical basis for improving theoretical precision concerning the links between institutional context and the entrepreneur's agency toward entrepreneurship allocation.

8 Policy implications

Our proposed framework offers informative concepts and relationships that policymakers can utilize to gain a deeper understanding of how they would be able to design helpful policies stimulating more PE. *First*, our research shows that productive entrepreneurs resort to unproductive actions to overcome ill-functioning institutions. Hence, regardless of choosing productive outcomes (i.e., innovative production or process), such unproductive initiatives may damage healthy legal, economic, and social systems. Hence, at the first step, local and national officials must recognize main institutional inefficiencies and implement plans at least to diminish the burden of those constraints on productive entrepreneurs. *Second*, according to our findings, besides formal institutions, the community's belief system (as an informal institution) can affect entrepreneurs' decisions and actions. Although, in comparison with formal institutions, informal arrangements are more established against change, designing and implementing a long-term plan makes it possible to transform some local disbeliefs in the success of entrepreneurial activities. For example, communicating entrepreneurs' achievements through media, promoting the awareness of the possibility and promising consequences of entrepreneurship among secondary school graduates, recognizing youth would-be entrepreneurs' successes, revising the university's entrepreneurship curriculum focusing on enhancing students' attitudes and motivations toward entrepreneurship through real stories and experiences of local prosperous entrepreneurs as role models, are some examples of easy but impressive initiatives to incremental advancement of community's awareness and knowledge base. *Third*, to design policy measures targeted at increasing the entrepreneurial propensity of people, it is crucial to understand how institutions modify and change. Our

findings show that for PE, using devising strategies, entrepreneurs attempt to cooperate with other businesses, the local community, and officials. A useful insight for practicing policymakers, therefore, might be that given the promising influence of these efficient cooperative practices, local and national practitioners should adopt a strategic perspective to make plans to design button-up collective mechanisms through which economic actors, especially entrepreneurs accompanied by other influential community actors directly would be involved in initiating friendly institutional arrangements toward accelerating PE.

9 Limitations and future directions

This study is not without limitations. First, the theoretical framework developed in the current research focuses on a specific context of a developing country with poor market institutions. However, the single-context focus allows us to understand how and why PE occurs in an inefficient institutional context. This goal would be difficult to accomplish in a multi-context study. However, more research should be done in other contexts to build a theory of the interaction between micro and macro foundations behind entrepreneurship allocation. Specifically, cross-contextual comparisons would provide insights into how the IW strategy's nature and the mechanisms might differ in developed and underdeveloped/developing contexts. Second, at the paper's outset, we argued that divergent types of entrepreneurship activity (productive, destructive, and unproductive) can occur irrespective of institutional quality. However, our study did not capture the phenomenon of unproductive entrepreneurship within efficient and pro-market institutions. Acknowledging this limitation, we invite future research to focus on understanding the nature of unproductive entrepreneurship within efficient institutions and uncover how unproductive behaviors (e.g., rent-seeking) can emerge in the presence of efficient institutions and uncover IW strategies to reduce their impact. Third, while prior evidence highlights the importance of emotions in engagement and persistence in IW, the current research provides limited insights into how emotions affect entrepreneurs' motivation to engage in IW. Therefore, the interplay of emotions and motivations in the context of IW should be better explained.

10 Concluding remarks

There is a lack of research on understanding PE within inefficient institutions. The current research explored this phenomenon using an IW perspective, aiming at refining the current understanding of PE by exploring why, how, and by which strategies entrepreneurs choose to be productive under institutional voids. Assuming the multidimensional nature of agency, the key insight behind our findings is a new way of thinking about the realization of PE in practice through agent-institution interactions. The findings extend the existing understanding of PE and call to re-visit the inherent assumptions in entrepreneurial allocation theory which considers the institutions as the main allocators of entrepreneurship to productive, destructive, or unproductive paths. Moreover, we explore a crucial black box in Baumol's framework by developing a multi-faceted foundation of PE. In response to the call to study the combined effects of both formal and informal institutions on entrepreneurship (Fredström et al., 2021; Webb et al., 2020), we explore the formal and informal institutional voids acting as a barrier against PE. Secondly, we uncover how productive entrepreneurs facing institutional constraints realize their productive outcomes through unproductive processes. It means that contrary to Baumol's demarcation between productive, unproductive, and destructive entrepreneurship (Aeeni et al., 2019a), entrepreneurs struggling with institutional pressures blur the distinct border between productive and unproductive practices. Thirdly, although we acknowledge the entrepreneur's agency in PE allocation, we shift from individual agency, which has dominated IE literature, to collaborative agency (Opara et al., 2021). Contrary to the image of the "heroic" efforts of lone actors in modifying or changing institutions, we explicate that productive entrepreneurs relying upon collective IWs of local stakeholders would be able to transform the institutional context. Our arguments and results contribute broadly to research on the shared micro and macro foundations of entrepreneurship allocation within inefficient institutional contexts. Such an understanding is essential to contextualizing entrepreneurship allocation by analyzing the dynamic interaction between entrepreneurs' agency and contextual forces.

Appendix

Table 3 A summary of the research on IW

Authors	Journal	Research question/purpose	level of analysis/context	Main findings
Perkmann & Spicer, 2008	Human Relations	Exploring under what conditions transitory management fashions become institutionalized	A systematic literature review of the empirical literature on management fashions	Institutionalizing management trends involves three kinds of institutional efforts: political, technical, and cultural. Crucially, this process is not driven by a singular institutional entrepreneur but is achieved through decentralized participation by various actors, facilitating the construction of institutions.
Symon et al., 2008	Organization Studies	Examining the rhetorical strategies employed in disrupting institutions with the special focus on legitimacy	Academic approach to qualitative research within the management discipline	Several overlapping rhetorical strategies have been identified for justifying and positioning qualitative research as a legitimate approach, including: "the undermining of success criteria," "the legitimization of interests and actors," "attributions of political action," "claims to agency," and "the invocation of alternative institutional logics."
Marti & Mair, 2009	Book chapter (<i>institutional work: Actors and Agency in institutional studies of Organizations</i>)	Exploring institutional works undertaken by social entrepreneurs toward poverty alleviation	Poverty alleviation Developing countries	Powerless and under-resourced actors, compared to those with more resources, tend to adopt less aggressive tactics. These include participating in experimental projects, leveraging minor advantages, improving existing institutions, questioning prevailing beliefs, and forming temporary institutions.
Maguire & Hardy, 2009	<i>Academy of Management Journal</i>	Exploring the role played by outside discourse in deinstitutionalization	DDT (selling insecticide) USA	The discourse surrounding DDT use can alter the power and knowledge dynamics within the field. Disruptive institutional work, characterized by "undermining assumptions and beliefs," "disassembling moral foundations," and "disconnecting sanctions," ultimately resulted in the abandonment of those practices.
Zietsma & Lawrence, 2010	<i>Administrative Science Quarterly</i>	Understanding the interaction between boundary work and practice work and their influence on institutional change and stability	The coastal forest industry Canada	The recursive interplay between boundary and practice work underpins cycles of institutional innovation, conflict, stability, and restabilization. Transitions between these cycles are triggered by the state of the boundaries and practices, along with actors capable of undertaking these works.

Table 3 (continued)

Authors	Journal	Research question/purpose	level of analysis/context	Main findings
Rojas, 2010	<i>Academy of Management Journal</i>	understanding the interaction between an organization's environment and its administrative behavior	The 1968 Third World Strike at San Francisco State College USA	Actors seek power by relying on the creation, support, or modification of institutions. In cases where unilateral authority is lacking, administrators leverage symbolic resources, necessitating concessions to multiple stakeholders. This enables actors to expand their power, thereby shifting the organization's political underpinnings, leading to the creation or erosion of authority
Riaz & Buchanan, 2011	<i>Organization</i>	Exploring the institutional works in framing crises-related rhetorical narratives	<i>The Economist</i>	Actors took three positions—status quo, neutral, and change—regarding policies, practices, or regulations related to the crisis. For instance, academics insist on changing policies by utilizing past scenarios and relying on rhetorical narratives that blame others. In contrast, banks focus on practice changes, mostly using future scenarios. The US Federal Reserve tries to maintain the status quo on related regulations.
Zilber, 2011	<i>Organization science</i>	Exploring how institutional multiplicity works in practice	Two high-tech conferences Israel	Research evidence highlights the role of 'social distribution' in enabling institutional multiplicity. In this context, multiplicity manifests through two identity discourses: one situates the industry within a national context, while the other orients it toward global markets. Conferences constructed around these discourses provide guidelines for investment and management, thereby altering power relations among the field's actors.
Dijk et al., 2011	<i>Organization Studies</i>	why and how agency may and can legitimize radical innovation within established firms	Five radical innovation trajectories at two mature companies Europe	Established institutional logics often compel innovators to conform. In response to this constraining force, innovators demonstrate three strategic responses to legitimacy crises: heterogeneity, multiplicity, and ambiguity.
Currie et al., 2012	<i>Organization studies</i>	Examining how the elite resort to institutional work to maintain their professional dominance in response to legitimacy crises	English National Health Service (NHS) UK	When new nursing or medical roles threaten their positions, specialist doctors often react by preserving the current resource and control arrangements to uphold or improve their professional status. Similarly, other powerful elites within their professional group work to maintain these existing setups. To secure professionals' status, six types of institutional work are employed: "theorizing," "defining," "educating," "policing," "constructing normative networks," and "embedding and routinizing."

Table 3 (continued)

Authors	Journal	Research question/purpose	level of analysis/context	Main findings
Lefsrud & Meyer, 2012	<i>Organization Studies</i>	Examining professionals' identity works and legitimization of themselves as experts rounding climate change science	Petroleum and related industries Canada	Individuals employ defensive institutional works that leverage heterogeneity to establish and safeguard their expert status against other professions. These works encompass claims, legitimization strategies, and emotionality and metaphor to clarify what constitutes and legitimizes expertise.
Smets & Jarzabkowski, 2013	<i>Human Relations</i>	Explaining what individuals do in response to institutional complexity in practice	Banking lawyers in a global law firm UK and Germany	Institutional work is situated within the everyday practices of individuals, enabling them to cope with institutional complexity. Different dimensions of agency interact dynamically in the institutional work of reconstructing institutional complexity. A cycle comprising four phases—strange, contradictory, compatible, and complementary—highlights the interaction between the modes of agency and the practices undertaken by agents. These four phases connect through four transitory conditions: novel institutional complexity, polarization, work-level crisis, expanded practice repertoire, and embedded reconstructed relationality
Helfen & Sydow, 2013	<i>Organization Studies</i>	Examining inter-organizational negotiations as a form of institutional work	Three negotiations between MNCs (Multinational Companies) and GUFs (Global Union Federations) over International Framework Agreements (IFAs)	There is a significant connection between inter-organizational negotiations and institutional outcomes. While institutional creation and modification may prompt management to engage in institutional change, institutional stagnation holds some critical pitfalls within negotiation work
Jones & Massa, 2013	<i>Organization Studies</i>	Understanding the process by which institutional work legitimizes a novel practice	A success story—Frank Lloyd Wright's Unity Temple was built between 1906 and 1908 USA	Actors employ two kinds of purposive legitimization processes in the form of institutional work to legitimize their entrepreneurial anomaly: institutional evangelizing, which involves challenging an existing institutional order, and adaptive emulation, which consists of building upon an institutional order.
Raviola & Norbäck, 2013	<i>Organization Studies</i>	Examining how institutional work takes place amidst enacting business news online	Italian business newspaper	Technology not only enables certain actions but also has the potential to trigger institutional work. Institutional work catalyzed by new technologies involves an interplay between three agentic dimensions labeled divergence, convergence, and misvergence.

Table 3 (continued)

Authors	Journal	Research question/purpose	level of analysis/context	Main findings
Gawer & Phillips, 2013	<i>Organization Studies</i>	Exploring the forms of institutional work by organizations toward change in the institutional logic characterizing their field	Intel corporation USA	Organizations engage in four simultaneous and mutually reinforcing types of institutional work to influence the desired change in the prevailing logic. Externally, they undertake practice work and legitimacy work to shape the process of logic change and secure acceptance in the role of platform leader. Internally, the firm conducts internal practice and identity work to adapt to the evolving logic.
Ramirez, 2013	<i>Journal of Management Studies</i>	Exploring kinds of institutional works in response to situations of perceived injustice resulting from institutional change	Joint Monitoring Unit (JMU) UK	When equity within a community is compromised, institutional work addresses such issues. When institutional change becomes challenging, institutional work plays a pivotal role in preventing or restoring the destabilization of the natural order. Failure to achieve a sense of equity necessitates further institutional work.
Lawrence & Dover, 2015	<i>Organization Studies</i>	Exploring the roles played by place in institutional work	The establishment of Canada's first residential for hard-to-house individuals and day-care facility for people living with HIV/AIDS/ Canada	Based on the proposed process model, the place can fulfill three critical roles in institutional work. These roles include containment, mediation, and complication of institutional work. Each role is associated with a distinct ontology of place: places can be seen as social enclosures, signifiers, or practical objects. Place influences the process of understanding problems, mobilizing resources, employing routines, and constructing connections between concepts
Barin Cruz et al., 2016	<i>Business and Society</i>	Understanding how institutional work contributes to institutional resilience of fragile institutions	The operations of Desjardins International Development (DID), an NGO, supporting cooperative banking in Haiti before and after the major earthquake of 2010 France, Canada	The political, technical, and cultural forms of institutional work contributed to the emergence of social capital, which in turn supported the rise of new forms of institutional work and facilitated institutional resilience. Organizational efforts aimed at creating institutions inadvertently led to the creation of social capital, which in turn enabled resilience.

Table 3 (continued)

Authors	Journal	Research question/purpose	level of analysis/context	Main findings
Moisander et al., 2016	<i>Organization Studies</i>	Exploring how institutional actors mobilize emotions for institutional work	The early phases of the institutionalization of the Economic and Monetary Union (EMU) of the European Union (EU) in the 1990s in Finland.	Actors utilize three strategies in practice: eclipsing, diverting, and evoking emotions. These strategies arouse, regulate, and organize emotions that underlie legitimacy judgments and fuel resistance among field constituents. Emotion work serves a dual purpose: it eliminates, invalidates, and incapacitates emotions driving resistance while also making available, evoking, and promoting emotions that enable actors to garner support for their institutional objectives.
Granqvist & Gustafsson, 2016	<i>Academy of Management Journal</i>	Exploring how actors engage in temporal institutional work	Establishing the first foundation-based, autonomously run university within a Northern European country (known as an innovation university)	In their efforts to change institutions, institutional actors employ three temporal institutional works: entraining as a top-down routinized form, constructing urgency, and enacting momentum as bottom-up generative forms. Integrating these works offers an avenue for action and facilitates institutional change.
Bhatt, 2017	<i>Journal of Business Ethics</i>	Why are there very few social enterprises in China?	Social entrepreneurs China	Social entrepreneurship faces four types of institutional challenges: norms favoring a strong government role, misunderstanding or ambiguity regarding the role of social enterprises, unsupportive regulatory frameworks, and insufficient socio-cultural values backing social goals. Entrepreneurs address these challenges through three types of institutional work: advocacy to navigate regulatory hurdles and education to foster socio-cultural support for social goals.
Katila et al., 2017	<i>Journal of Management Inquiry</i>	Examining how start-up entrepreneurs construct their identity within the socio-material setting	Slush conference founded in 2008 in Helsinki, Finland	During the conference, entrepreneurs construct their identities as rock stars, vital entrepreneurs, and buddies within the startup ecosystem, influenced by the socio-material setting. Characteristics of this setting, such as multisensorial experiences, temporal multidimensionality, and dynamics of equality and exceptionality, strengthen agency identification with the institution of startup entrepreneurship.

Table 3 (continued)

Authors	Journal	Research question/purpose	level of analysis/context	Main findings
Troshani et al., 2018	<i>International Journal of Accounting Information Systems</i>	Examining institutional work to develop digital business-to-government reporting	Jurisdictions: Netherlands, UK, and Australia	In transitioning organization-government reporting to digital, institutional work is influenced by both local and international factors. Initially, actors disrupt the existing institutional arrangement, then strive to create and maintain a new institution through mimicry, adopting practices from other jurisdictions. In addition to international influences, local factors shape this work's specific nature and scope within these jurisdictions.
Zwolska et al., 2019	<i>Journal of Cleaner Production</i>	To understand mechanisms through which urban sharing organizations engage in institutional creation and disruption	Three European cities: Berlin, London and Malmco	For-profit and non-profit organizations employ different institutional work mechanisms. For-profits, having more resources and power, engage in advocacy practices such as lobbying. In contrast, non-profits lack sufficient resources and power for political work. Consequently, they seek legitimacy by distinctly positioning themselves apart from mainstream companies.
Michel et al., 2019	<i>Industrial Marketing Management</i>	Examining positioning in a business network as an institutional arrangement	The French Fresh Fruit and vegetable (FFV) distribution network	Within a business network, when retailers engage in institutional work with other parties, they create unanticipated institutional arrangements that are accepted by all involved as new rules of the game.
Narvanen et al., 2021	<i>Industrial Marketing Management</i>	To analyze the forms of institutional work carried out by start-ups to prevent and reduce food waste	The emerging food waste reduction business	Start-ups aim to disrupt existing institutions that reinforce food waste behaviors and establish new institutional arrangements supporting their business operations. Entrepreneurs engage in institutional work across four categories: the appearance of food, the quantity of food, the edibility of food, and living with food.
Lehmann et al., 2022	<i>Technological Forecasting and Social Change</i>	Exploring the dynamics between discursive strategies, legitimacy, and institutional change	The rise of Uber and Airbnb, as represented in the news media	Actors engage in two types of institutional work: offensive and defensive. Offensive actors typically appeal to logos, using rational arguments, while defensive actors rely on pathos, appealing to emotions. Consumers often engage in offensive institutional work, helping to de-legitimize existing institutions. In media discourse, macro-level actors like policymakers and regulators play a crucial role in maintaining institutions, particularly decentralized fields. In such contexts, non-incumbent actors may play a more central role in maintaining institutions.

Table 3 (continued)

Authors	Journal	Research question/purpose	level of analysis/context	Main findings
Corsaro, 2022	<i>Journal of Business Research</i>	How cognitive, normative, and regulative institutions have modified, becoming expressions of institutional work	A vast project on Sales Transformation financed by IULM University	Two complementary mechanisms of institutional work, integration of institutional work-in-space and acceleration of institutional work-in-time, drive the creation, disruption, and maintenance of cognitive, normative, and regulative institutions. These processes facilitate the modification of the value co-creation process.
Tierney, 2022	<i>Journal of Business Research</i>	explore how SEs (service employees) navigate internal and external institutions and the potential implications for brand-meaning outcomes	Five local and international bank brands in Vietnam	Whether disrupting or maintaining internal and external institutions, SE practices have dark-side and light-side consequences. These practices either disrupt or maintain internal and external institutions with dark-side (i.e., place brand meaning outcomes at risk) or light-side (i.e., enhance brand meaning) consequences for brands.
Peltokorpi, 2022	<i>Journal of World Business</i>	Explicating how and why dysfunctional effects are reproduced by HRM practices	Analysis of head-hunter-assisted recruitment of local employees in foreign subsidiaries Japan	Whether disrupting or maintaining internal and external institutions, social enterprises' practices have dark and light side consequences. These practices can either disrupt or maintain internal and external institutions, leading to dark-side outcomes (such as risking place brand meaning) or light-side outcomes (such as enhancing brand meaning) for brands.
Mattsson & Junker, 2023	<i>Industrial Marketing Management</i>	Examining how government institutional work integrates with market practices aimed at coping with climate change	Reports from a climate policy initiative, a government committee entitled Fossil Free Sweden (FFS)	The conceptual model highlights market practices including exchange, representation, and normalizing. On the policy side, government institutional work, in the form of policy innovations, translates into exchange practices, influencing procurement behavior as intended. However, additional translation efforts are required when in conflict with established norms.
Barron, 2023	<i>Long Range Planning</i>	Investigating how corporate strategists can employ open strategizing in the face of individual-level barriers to participation	Case of Omega (pseudonym)—a pharmaceuticals company	By enacting specific cultural and technical works, strategists aim to overcome mindset, skills, and commitment-related barriers, facilitating inclusive strategizing within the organization. Their expertise and social capital bolster their capacity to perform such work, which aims to alter managers' perceptions of corporate political activity (CPA) and empower them to engage in new forms of political action.

Table 3 (continued)

Authors	Journal	Research question/purpose	level of analysis/context	Main findings
Corciolani, 2023	<i>Journal of Business Research</i>	Examining the role of consumer emotional work in navigating institutional complexity	<i>Ketogenesis</i> (an Italian Facebook group abandoning their traditional diet and dedicated to ketogenic diet)	Exposure to oppositional logic, such as healthism, weight loss, sociability, and flavor, can evoke negative emotional responses. However, by joining the Facebook group “Ketogenesis,” individuals can reframe these negative emotions into positive ones and garner social support for their dietary choices. This community provides a platform for members to validate and approve of each other’s diets, contributing to a sense of acceptance and encouragement in adhering to the ketogenic diet.
Hota et al., 2023	Journal of Business Venturing	how social entrepreneurs navigate ethical dilemmas	A rural resource-constrained environment in India	Social entrepreneurs encounter four ethical challenges: involving the community, handling spillover effects, managing diverse stakeholders, and addressing cross-subsidization efforts. To tackle these issues, they engage in three types of institutional work: recognition work, responsibility work, and reflective judgment work. These efforts are collectively referred to as inclusion work, aimed at supporting marginalized groups.
Barth et al., 2023	Journal of Engineering and Technology Management	To understand how OI (open innovation) is institutionalized in the organizational environment of SMEs	The state of Rio Grande do Sul, in southern Brazil	OI is achieved through the institutional works of creation and maintenance. In terms of creation, the construction of normative networks and the establishment of identities support the climate of innovation by reshaping beliefs, morals, and cultural foundations. Meanwhile, maintenance work helps sustain OI as an institution, ensuring its ongoing viability and effectiveness.
Gonçalves et al., 2024	<i>Cities</i>	Understanding the process by which cities institutionalize collaboration as a catalyst for innovation and entrepreneurial ecosystems	Two Latin American cities, Porto Alegre and Florianopolis	The institutionalization of collaboration in an environment with a non-cooperative background involves a three-phase process and includes three groups: leaders, supporters, and the community. The phases of preparing for collaboration, strengthening collaboration, and disseminating collaboration are carried out through the combined efforts of government, university, and industry, which facilitate the progression towards institutionalization of cooperation.
Distelmans & Scheerlinck, 2024	<i>Cities</i>	Examining institutional tactics of incumbents experiencing threats from sharing economy platforms	The Brussels taxi industry US	To counteract threats from Uber, taxi incumbents utilize a trio of institutional tactics to preserve the status quo, particularly in relation to regulations. These tactics encompass enforcement, the use of discursive strategies typical of institutional creators, and mobilization tactics.

Table 3 (continued)

Authors	Journal	Research question/purpose	level of analysis/context	Main findings
Mindel et al., 2024	<i>Research Policy</i>	Exploring institutional change brought about by low-power actors in the face of institutional resistance	Swedish <i>Cabotagestudien</i> , an example of effective and sustained digital activism	Three forms of micro-level, mutually reinforcing institutional work encompassing infrastructure, crowd, and data work drive low-power actors toward digital activism in the face of institutional resistance. Social media can be effectively utilized to recruit, mobilize, and manage the activism of low-power actors.
Britton & Webb, 2024	<i>Environmental innovation and social transitions</i>	Analyzing the social processes involved in the development of a 'local energy systems' (LES) policy field	Energy system UK	A critical barrier against new sustainable energy is the centralized institutions and Government retaining significant countervailing power. Additionally, overlaps between policy domains can obstruct the formation of new rule structures, notably regarding emerging local energy planning rules. The construction of LES identities, rationales, and networks is important in creating persuasive power to advocate for the importance of LES.
Guenduez et al., 2024	<i>Urban Governance</i>	How smart city managers break with existing institutional settings and create new processes for driving smart city transformation	The International Institute for Management Development's (IMD) Smart City Index	Smart city managers employ a diverse set of institutional work strategies that include: (a) creation, involving the introduction of new ideas, technologies, methods, and policies; (b) maintenance, which focuses on preserving certain elements of existing institutional arrangements; and (c) disruption, aimed at challenging entrenched institutional frameworks.
Wilde & Hermans, 2024	<i>Environmental innovation and social transitions</i>	Exploring how institutional work materializes in an emerging bio-economy	Bioeconomy-oriented companies Spitzencluster Mitteldeutschland (SCM) in Germany and Biobased Delta (BBD) in the Netherlands	
Gherhes et al., 2023	<i>World Development</i>	Understanding how and why, technological trajectories differ across countries	Artificial Intelligence (AI) sector Canada and China	There are two different trajectories for technology development in two different contexts. Canada's stable institutional environment, reinforced through institutional work by various actors, generated a national AI trajectory driven by a strong focus on scientific research and ethics, with slower organic commercialization of AI. In China, a dynamic and loose institutional structure characterized by lax regulations, low entry barriers, and high openness to novelties has resulted in a market-driven AI trajectory focused on technology commercialization.

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Authors' contributions All authors contributed to the study's conception and design. Zeynab, Kamal, and Mehrzad performed material preparation, data collection, and analysis. Vahid performed material preparations for the revisions. Vahid, Mehrzad, and Zeynab wrote the revised draft of the manuscript, and all authors commented on previous versions. All authors read and approved the final manuscript. Authors 1 and 2 contributed equally to the work and should be considered co-first authors.

Data Availability As per the agreement in the interview protocols with the participants, and to maintain confidentiality, the data are not available for sharing. However, reasonable requests for accessing aggregated and de-identified data can be investigated.

Declarations

Competing interests The authors declare that they have no competing interests.

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