Interactions and engagement in institutional shaping

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ABSTRACT

This paper explores the question of why actors with a similar profile adopt very different forms of engagement in institutional shaping, including no engagement. The empirical context for the study is the mainstreaming of microfinance in Bolivia. This exploration furthers our understanding of institutional agency by suggesting that interactions determine actors’ interest to engage in institutional shaping.

INTRODUCTION

Institutional shaping, that is, actors engagement in willful behaviors that preserve, change, or erode institutional fields, has become a central concern of institutional research (see Dacin, Goodstein, and Scott 2002, Lawrence and Suddaby 2006). Institutional fields are recognized clusters of organizations with boundaries, identities, and interactions framed and stabilized by shared institutional logics (Scott 2001), defined as “broader cultural beliefs and rules that structure cognition and guide decision-making in a field” (Friedland and Alford 1991, Lounsbury 2007: 289, Ocasio 1997, Thornton 2004). The question of why actors engage in institutional shaping is frequently answered by saying that they so “to realize an interest that they value highly” (DiMaggio, 1978: 14). But how is this interest in engaging engendered?

Researchers have explored this question by focusing on factors that can explain how actors escape institutional logics without abandoning institutional theory’s crucial insight that actors’ intentions, actions, and rationality are conditioned by the logics of the fields they might want to shape (Holm 1995). They have invoked exogenous shocks such as “technological disruptions, competitive discontinuities, and regulatory changes” (Greenwood and Suddaby 2006: 28). These shocks can be sudden—such as a regulatory change (Kellogg 2007) or health crisis (Maguire, Hardy, and Lawrence 2004) or the recombination of organizational forms in Eastern Europe after the fall of the socialist system (Stark 1996)—or cumulative—such as adverse competitive performance (Kraatz and Moore 2002, Greenwood and Suddaby 2006, Jones 2001, Baker and Nelson 2005, Ruef and Scott 1998, Sine and David 2003) or the incorporation of new technologies (see Barley 1986, 1990, Van de Ven and Garud 1993, Garud, Jain, and Kumaraswamy 2002, Munir and Phillips 2005). What is not explained by taking recourse to
exogenous events is why, within a given field (e.g., radiology), actors exposed to the same exogenous event (e.g., the introduction of “Magnetic Resonance Imaging”) often behave differently, some engaging in reshaping, others in reinforcing, the prevailing institutional logics (see Barley 1986).

Scholars have also suggested that breaks with institutional logics might be occasioned by other than exogenous events, that actors might, alternatively, be motivated by tensions that emerge from cracks, overlaps, and/or contradictions among the multiple, fragmented institutional logics that define a given field (Whittington 1992, Rao 1998, Seo and Creed 2002, Lounsbury, Ventresca, and Hirsch 2003). But research has also found individuals (e.g., therapists and feminists working together in a rape victims center) to be willing to accommodate themselves to tensions between institutional logics (e.g., therapy and feminism) (see Zilber 2002, Heimer 1999).

Yet another alternative explanation offered to why actors engage in institutional shaping is to suggest that access to political talents, access to resources, and field positioning afford some actors the means to escape the grips of dominant institutional logics (see, DiMaggio, 1988, 1991, Leblebici et al. 1991, Rao 1998, Fligstein 2001, Dorado 2005, Chung and Luo 2008). This perspective has helped to define the profile of actors most likely to engage in institutional shaping. It has not, however, explained why, among actors with a similar profile, some engage on changing institutions (Rao, 1998), while others choose to accommodate institutional tensions (Zilber 2002), or continue to embrace logics challenged by technological changes (Barley 1986) or environmental and organizational contingencies (Chung and Luo, 2008). In short, it has not answered how actors develop an interest to engage in institutional shaping.

As reported in this paper, a grounded theory (Strauss and Corbin 1998) study of the shaping of microfinance into an activity conducted by commercial financial organizations suggested interactions, that is, the way people “do things together” (Becker 1982: xi, 1986, Hallett and Ventresca 2006a), as a possible answer to this question. Microfinance organizations are concerned both with providing financial services to the poor and with their own financial sustainability. Their origin is traced to the founding of Grameen Bank in Bangladesh in the mid 1970s. Early on regarded as a developmental endeavor carried out by non-governmental organizations (NGOs), microfinance emerged as a form of financial
intermediation carried out by commercial financial institutions with the launch of Banco Solidario (BancoSol) in Bolivia in 1992. BancoSol and organizations that made a similar transition (e.g., Los Andes in Bolivia, Mi Banco in Perú, and Bank-Rep in Kenya) shared with their NGO predecessors the mission of serving the disenfranchised, but unlike those organizations, provided exclusively financial services and were subject to legislation that mandated that their financial stability take priority over their social impact on clients.

La Paz, Bolivia’s capital city and the stage for this so called “mainstreaming” of microfinance (see Rhyne, 2001), is a rather small social space. At the time data was being collected for this study, it was common for the promoters and managers of microfinance organizations to meet, casually at a restaurant, or club in La Paz or, per the invitation of a donor organization, at a microfinance forum in Washington, D.C. (U.S.A.) or Frankfurt (Germany). The tightness of this social space facilitated, in the manner of a “petri dish,” the study of actors’ interactions in shaping microfinance, which would otherwise have been difficult to observe owing to the considerable number and geographic dispersion of sites in most fields (Barley and Tolbert 1997).

The fundamental contribution of the study reported in this paper is offering interactions to answer why actors who inhabit the same institutional context and share similar profiles are not equally likely to engage in institutional shaping. Institutional researchers have observed that interactions influence agents’ capacity to engage in institutional shaping by facilitating their access to resources and exposure to institutional opportunities (Aldrich and Fiol 1994, DiMaggio 1988, Rao 1998, Fligstein 1997). Those who have considered directly the role of interactions in institutional processes have added that interactions frame actors’ appreciation of their institutional context (Emirbayer and Mische 1998, Hallett and Ventresca, 2006a, b). This paper specifies this interactionist contribution arguing that interactions, irremediably and often unexpectedly, define and redefine not only actors’ capacity to engage in institutional shaping, but also their interest to engage. With this finding, the paper also responds to calls for research on how institutions are “inhabited” (Scully and Creed, 1997) by people doing things together (Hallett and Ventresca, 2006a: 213). For if we accept that interactions define actors’ interests, we are
accepting that interpersonal (as opposed to institutional) factors, such as emotion (see Hallett 2003), are at play in processes of institutional shaping.

Finally, the paper highlights the value of studies that, like this one, explore simultaneously multiple forms of engagement in institutional shaping. This study identifies seven instances clustered around three forms of engagement: pioneering, furthering, and resisting. Exploring these three forms of engagement within the same context expands our understanding of institutional agency not only by identifying alternative forms of engagement, as called for in recent research (see Dorado 2005, Lawrence and Suddaby 2006); but also by showing that the same exogenous events and endogenous tensions can have a differential influence in each of these three forms. The study then calls attention to the need for research that further explores this differential influence considering among other questions whether, as suggested in this study, exogenous events are particularly relevant in pioneering engagements while endogenous tensions are particularly relevant in furthering and resisting ones.

In the next section, the paper lays out a theoretical exploration of the research question. A description of empirical methods follows. Empirical findings are then presented in three consecutive sections, namely a summary of the case, a chronological description of the seven instances of institutional shaping that are identified, and, an analytical exploration of those seven instances clustered into pioneering, resisting, and furthering actions. The paper concludes with a discussion of contributions of the study and directions for future research.

**INTERACTIONS AND INSTITUTIONAL SHAPING**

Negotiated order theory (Strauss et al. 1964, Strauss 1978, 1982, Fine 1984, 1995, Basu et al. 1999, Modell 2006), the most developed organizational branch in interactionism, provides a good starting point for exploring how interactions influence institutional shaping. It suggests that the social order is continually (re)negotiated through negotiations (Strauss’s term for interactions) within a context of existing structural arrangements, themselves the result of earlier negotiations (Fine 1984), making it consistent with institutional theory’s understanding of the interplay of agency and structure as duality

This perspective is particularly interesting because scholars in this tradition have addressed, head on the difficulty of explaining how actors whose actions are framed by the institutional logics of a field shape this field. They were prompted by critics who argued that the theory provided a malleable image of structure without sufficient attention to how micro interactions (e.g., between a female nurse and a male doctor) are irrevocably framed by macro ones (e.g., between women and men in a western country) (Benson 1978: 497, Day and Day 1978). In response (see Maines 1977), negotiated order scholars argued that the context that defines actors’ negotiations, their “interactions with other actors to get things done” Strauss (1978: 2), has two separate components, a structural and a negotiation or interaction context (Maines 1977, 1979, Strauss 1978, 1982, Fine 1984, see also Modell, 2006, Bennington, Shelter, and Shaw, 2003, Basu et al. 1999). The structural context includes elements of the broader social order such as field institutional logics that permeate organizations (DiMaggio and Powell 1983, Heimer 1999, Thorton, 2004) and frame interactions (Hallett, 2003).

Actors’ interaction context is, in turn, defined by the sum total of “whatever agreements, understandings, pacts, contracts, and other working arrangements currently obtained frame the interactions among actors” (Strauss 1978: 5-6). Frequently called the mesostructure (Maines 1982, Fine 1995), this sum is assumed to define, as a sort of filter, the elements of the broader structural context “entering very directly as conditions into the course of the negotiation itself" (Strauss 1978: 99), that is, into actors’ current, and their expectations about future, interactions (Emirbayer and Mische 1998). Strauss explicitly argued that the structural and negotiation contexts are connected, and suggested that although the structural context is larger and more encompassing than the interaction context, “changes in the former might impact on the latter, and vice versa” (1978:238-239).

In short, negotiated order addressed the criticism of malleability by identifying, within what institutional scholars call structural context, an interaction context that frames the elements of the structural context that impinge on actors’ behaviors. But our understanding of the empirical connection
between interaction and structural context remains limited. We know that interactions among actors define the institutional logics that frame the actors’ behaviors (see Hallett and Ventresca 2006a). For example, Fine (1995), in his ethnography of kitchens, showed how the way in which actors interacted in the kitchens of four different restaurants framed how the cooks in those kitchens combined the economic logic of the restaurants in which they worked with their cultural aesthetic concerns about the presentation and flavor of food defined by their occupational backgrounds (see also Basu et al. 1999). We do not know, however, how actors’ interactional context defines their interest to engage in the shaping of the broader structural context. This is the question empirically explored in the study reported in this paper.

**RESEARCH CONTEXT AND METHODS**

**Data collection**

Consistent with grounded theory (Strauss and Corbin 1998), the initial question that drove data collection for this project was not the one just stated, but a problem-based one (Davis and Marquis 2005), namely, how it is that the first commercial microfinance organizations emerged in Bolivia, a country that lagged many others in the development of microfinance.

The question was pursued through interviews, archival research, and, on occasion, ethnographic techniques of data collection. Some organizations had already been launched when data collection began, making unfeasible a full ethnography that would have captured the interactions involved. Nevertheless, the novelty of commercial financial intermediaries engaged in microfinance generally, and in Bolivia, in particular, enabled us to collect and study participants’ first-hand accounts of events. Moreover, because the field was still evolving, the study captured ongoing interactions through interviews with, and on occasion ethnographic observations of, participants engaged in the process (e.g., notes made on telephone conversations between participants during interviews).

More than 70 interviews were conducted with first-hand participants (a list of interviewees is available from the author) during several visits to the country between 1997 and 1999. The interviews, which averaged one-and-a-half hours and were open-ended (most were tape-recorded and transcribed),
followed a protocol of questions that evolved with the research project (Strauss and Corbin 1998). Questions that persisted throughout the interview process included: Where did the original idea come from? How and when did you become personally involved in the project/initiative? And how/when/why did other people become involved in the project?

Following grounded theory (Strauss and Corbin 1998), collection included as well as information about how actors engaged in mainstreaming microfinance into Bolivia’s banking sector, information on actors who both supported and resisted their efforts. This wealth of information enabled us to compare situations in which actors engaged in shaping this path, situations in which they engaged in curving it, and situations in which they remained disengaged from the process. The richness of the archival material also facilitated triangulation and enabled us to complement the data collected in the field with case studies written by other scholars before, during, and after the fieldwork. The study thus benefited from an historically informed understanding of the field (DiMaggio 1991, Rao 1998, Schneiberg and Clemens, 2006). Among the documents collected were (a) existing case studies about microfinance in Bolivia, (b) reports and statistical information from regulatory bodies (e.g., the Superintendencia de Bancos y Entidades Financieras, or SBFI) and associations of organizations that lend to the poor (e.g., Asociación de Entidades Financieras Especializadas en Microfinanzas ‘ASOFIN’), (c) technical reports published by donor organizations (e.g., German Gesellschaft für Technische Zusammenarbeit ‘GTZ’), and (d) other professional reports. A list of studies is available from the author.

Analysis

Analysis began with a simple narrative (Eisenhardt and Bourgeois 1988) that included a summary of the actors engaged and how their decisions, behaviors, and actions defined the industry’s path of development. This narrative enabled us to observe how the events of one moment led to changes in subsequent moments “without presuming any progressive developmental logic” (Langley 1999: 703).

The narrative defined the path of development of microfinance in Bolivia and identified a number of strategic decisions that paved the way for its mainstreaming. Reasons for the subsequent focus on these
strategic episodes were both methodological and analytical. Methodologically, this focus was a natural result of having employed interviews for data collection and grounded theory for analysis. The moments, being particularly salient in the minds of interviewees, dominated the open-ended interviews. Analytically, these moments were important because they identified a variety of strategic actions including not only pioneering, but also resisting and furthering the mainstreaming of microfinance.

In the next section, a brief overview of the emergence and mainstreaming of microfinance in Bolivia is followed by detailed descriptions of the critical moments identified in the analysis.

**THE MAINSTREAMING OF MICROFINANCE IN BOLIVIA**

Until 1987, when BancoSol-NGO became the first NGO to provide financial services to the poor in Bolivia, poor entrepreneurs had obtained loans from loan sharks, pawnshops, or pasanuku brokers. (Pasanakus, also called Su Su (Benin) or Ko (Japan) are Rotational Savings and Credit Associations. These are groups that give a pre-set amount of money periodically, which is then given to one member. In urban areas, they are often run by brokers who charge fees equivalent to interest rates in excess of 100 percent.) The new organizations devoted to supporting the economic activities of the poor that trickled in following the founding of BancoSol-NGO were responding to (a) the macroeconomic crisis that faced Bolivia in the mid 1980s (Gonzalez et al. 1997, Rhyne 2001)—between 1980 and 1985, Bolivia’s GNP had fallen almost 10 percent and inflation had reached an historical 24,000 percent (Jemio 1999)—and (b) the policies implemented by the administration of Paz Estenssoro’s administration (1985-1989) to deal with this crisis, which were expected to have the harshest impact on the poorest populations.

BancoSol-NGO aimed to mitigate this impact by serving the myriad street vendors, private cabbies, and providers of all sorts of goods and services who filled the streets of Bolivia’s urban centers. In being devoted exclusively to providing loans, charging interest rates that would permit it to gain financial independence, and insisting on loan repayment, it violated the conventional development institutional logic applied to the provision of services to the poor. This logic discouraged a focus on the financial independence of the providers, particularly if the poor being served were the ones being asked to foot the
Moreover, under this dominant development logic, providing loans was but one (and not the most important) service to be provided by organizations that attended the poor (NGOs), and loan repayment was seen as a perquisite, something desirable but that should not be demanded from poor borrowers.

BancoSol-NGO’s approach violated this logic, and, because of its overwhelming operational success, called into question the adequacy of a development logic applied to the provision of microfinance services. By 1991, it had 22,700 loans outstanding, a portfolio of $4.6 million, an absurdly low default rate of .0002 percent, and a client base load growing at a surprising 50 percent per year (Rhyne 2001: 77). Clients queued for hours outside BancoSol-NGO even though it was charging interest rates three times those of commercial financial institutions (about 45 percent, which was still less than half what was being charged by loan sharks, pawnshops, and pasanaku brokers). Its very success became an exogenous jolt (Meyer 1982) that highlighted the potential for NGOs to violate development logic based approaches to lending to the poor.

Encouraged by its success and looking to solve the overwhelming financial pressures incurred by this rate of growth, BancoSol-NGO in 1992 launched BancoSol, the first privately founded microfinance commercial bank. This transition alleviated financial pressures and permitted BancoSol and the other organizations that later also transitioned into commercial financial intermediaries (Los Andes, FIE, PFF, and Ecofuturo) to grow into some of the largest providers of loans to the poor in the world (Christen, Rosenberg, and Jayadeva 2004, Nimal 2004).

The chronology presented in Table 1 summarizes the evolution of microfinance in Bolivia. Figure 1, which provides a comprehensive listing and evolution of Bolivia’s microfinance organizations, shows a clear division between organizations that have remained development NGOs and those that have transitioned into commercial financial intermediaries.
CRITICAL MOMENTS

The launching of BancoSol-NGO

We can trace the inception of BancoSol-NGO to the decision by Acción International to begin operating in Bolivia. A US-based international NGO founded in 1961, Acción’s strategic agenda in the 1980s involved rolling out microfinance programs in Latin America. Personal connections of members among the economic elites determined in which countries it did so. In Bolivia, Acción built on a personal connection between its chairman of the board, Jack Duncan, and Fernando Romero, who owned one of Bolivia’s largest banks, had interests throughout the Bolivian economy, and was a member of President Estenssoro’s (1985-1989) economic cabinet and chairman of Bolivia’s chamber of commerce.

At the insistence of Duncan, who had been his first employer, Romero convened a meeting of Bolivia’s Chamber of Commerce at which Stephen Gross (a member of Acción) gave a presentation on the success of microfinance in the Dominican Republic and invited participating businessmen to engage in the launching of BancoSol-NGO. To Gross’s surprise, ten of the businessmen present at the meeting agreed to donate US$ 1,000 and serve as board members; Romero, in turn, agreed to be chairman of the board. With this support, BancoSol-NGO began operating in 1987.

The engagement of Romero, or any other of these Bolivian businessmen, in the launching of an NGO was out of character. As Sanchéz de Lozada (former president of Bolivia and one of the businessmen who supported the project) observed: “Bolivia has no Anglo-Saxon tradition of philanthropy. We’ve got confession to get us to heaven” (Rhyne 2001: 64). Awareness of and concern for the tensions created by Bolivia’s macro-economic crisis and the government’s structural adjustment response (which they knew would adversely affect particularly the poor) partly justified these individuals’ newfound interest in development endeavors. But the reason this and not more traditional paths of engagement (e.g., donating to local churches) was adopted was that Mr. Duncan had issued this call for participation. A number of those who decided to join had worked for or with Duncan in the past, and all had been physically present at the meeting convened by Romero at Duncan’s suggestion.
The launching of BancoSol

By 1989, donor funds, the traditional source of financing in the NGO field, had become woefully inadequate to fuel BancoSol-NGO’s unprecedented rate of growth. Too little, slow to arrive, and accompanied by taxing reporting requirements, leveraging these funds had become an all-consuming job for BancoSol-NGO managers. Consider the following remark by a top BancoSol-NGO manager.

*I remember going personally to the banks I knew and asking them for loans. First I would ask them to use our [BancoSol-NGO’s] loan portfolio as guarantee. But they would say no and asked for other assets, and I would propose someone’s jewelry, my father’s house. Pancho mortgaged his house; we all mortgaged things to get money (…) what the donors were giving was just not enough.* (Interview, April 23, 1998)

Promoters’ views of the exogenous jolt to established logics occasioned by BancoSol-NGO’s success and the tensions it generated in the development logic model of NGO financing varied. Focused on how to alleviate the financial bottleneck without changing the organization’s NGO status, Acción staff supported managers’ efforts to leverage donor funds, and offered a system of guarantee letters BancoSol-NGO could use when requesting bank loans (these letters were supposed to alleviate banks’ concerns regarding lending to NGOs).

But BancoSol-NGO general manager Francisco (Pancho) Otero contended that “[we] are making a big mistake because it is not sustainable. Every year we have to go out with the hat to get money to finance its growth” (interview, April 24, 1998). Although he offered no specific plan, Otero talked “to anyone willing to listen” (interview, April 23, 1998) about the need to grow BancoSol-NGO so that it could “masificar” (democratize) microfinance, that is, give every Bolivian access to loans. Otero’s approach was, of course, framed by his activist background (see Rhyne 2001).

BancoSol-NGO chairman Romero, although sympathetic, considering Otero’s democratization dream utopian, and consistent with the little relevance of microfinance in his personal portfolio of activities, remained mostly disengaged. This was also true of the other businessmen on BancoSol-NGO’s
board. “We would have a meeting over lunch and dessert would arrive before discussing BancoSol-NGO” (interview, April 24, 1998). Notwithstanding, Romero’s attitude changed dramatically after a fateful dinner with Martin Connell that drastically altered his appreciation of BancoSol-NGO.

Romero had traveled with Otero to New York to attend Acción’s 1989 board meeting. Connell, a member of Acción’s board, invited the two to dinner and shared with them the history of Crédit Agricole and how it could be a model for BancoSol-NGO.

Connell (...) said, we need to create a bank. The interesting example (...) was done at the end of the XIX by Crédit Agricole (...). They used the bakers and gave them a little box. (...) [T]his will be difficult in Latin America (...). We have to imitate McDonald’s. (Interview, April 24, 1998)

This piece of institutional debris (Schneiberg 2006) put Otero’s democratizing dream in perspective for Romero, and inspired him to champion the launching of a commercial bank devoted to microfinance. Crédit Agricole had democratized access to loans by working with local bakers; Connell thought that BancoSol-NGO could do it by franchising like McDonalds. Romero and Otero considered and rejected this and other options, and settled for launching a new commercial bank.

Initially, Acción rejected the idea because it violated the development logic that governed its operations “[They said] [l]ook, we can get you a donation of $5 million, but do not ask us to invest $100,000 because it means accountability and it is for profit and we do not have the situation” (interview, April 24, 1998). Eventually, though, Acción did join, and, following arduous negotiations with investors and regulatory authorities, BancoSol began operating in February 1992 with BancoSol-NGO as the majority shareholder. There was small participation by several private investors including Romero (see Dorado and Molz, 2005).

BancoSol pioneered the transition of microfinance from primarily a development into a banking activity, and Romero, of course, exhibited the ideal profile of an institutional entrepreneur (DiMaggio 1988). “An eclectic and vigorous entrepreneur with an intellectual bent” (Rhyne 2001: 63), he possessed the requisite social assets and political skills to launch a pioneering organization. He did not, however, define this project immediately in the wake of an exogenous event (BancoSol-NGO’s unexpected
success) or endogenous tension (the inadequacy of donor funds to finance the growth of a successful NGO), although both played a crucial role in his decision. Its genesis was, instead, an unexpected interaction, the conversation in which he learned from Connell about Crédit Agricole.

**Attempt to launch a microfinance development bank**

The local NGOs engaged in lending in Bolivia also witnessed BancoSol-NGO’s success with amazement. But they perceived it not as a reason to follow BancoSol’s mainstreaming path, but rather simply as an illustration of the overwhelming need for loans among the Bolivian poor. In fact, building on the conventional development logic that defined their operations, they questioned the morality of BancoSol, arguing that donations had built BancoSol-NGO and so should go to the poor instead of towards building a for profit organization, and that the interest rates BancoSol-NGO and BancoSol were charging their low income clients were three times those the bankers on its board of directors were charging their wealthy clients.

Consistent with this interpretation, they responded with a plan to further a development logic-based approach to microfinance. Specifically, they launched in 1991 a development microfinance bank that was to continue to have access to donations and prioritize serving the poor over financial independence by focusing on the hardest to reach clients, and charging subsidized interest rates and providing non financial services to these clients. Interestingly, not all local NGOs that provided loans were engaged, only those (ANED, CIDRE, FIE, IDEPRO, and SARTAWI) with prior interconnections arising from their cooperative launch of FADES a few years earlier (see Figure 2). Microfinance NGOs noticeably absent from this effort were ProMujer and Crecer, which would later become two of Bolivia’s best-known NGO microfinance organizations.

In any event, the plan was soon sidetracked when these NGOs were approached mid-discussion by Claus Peter Zeitinger, the founder of Internationale Project Consulting gmbh (IPC), a German based, for profit development consultant. IPC’s engagement, like Acción’s, followed a strategy of expansion in Latin America, but IPC’s country entry strategy, in contrast to Acción’s, involved identifying not a
trusted personal contact, but rather a high quality local organization, specifically an NGO. Finding a group of local NGOs already discussing the launch of a development bank, Zeitinger opportunistically presented the project to this group.

Zeitinger’s invitation, initially welcomed by the group, as if thinking “we do not have to do this [launch a development bank] by ourselves” (interview, April 14, 1997), soon began to be perceived as intrusive. “He would get involved in areas of decision which are out of the scope of a consultant” (interview, March 18, 1998). The group’s fundamental disagreement was with IPC’s emphasis on practices that violated the development logic they embraced, among them charging commercial interest rates and providing only financial services.

Only one of the local NGOs engaged in the development bank initiative, FIE-NGO, agreed to work with Zeitinger. Created in 1985, FIE-NGO had begun providing credit services at almost the same time as BancoSol-NGO, but, following conventional development logics, it charged subsidized interest rates and required borrowers to participate in training and technical assistance programs. FIE-NGO’s loan default rates were high, but lower than those of the other local NGOs, which were well over 20%. This unusual and relatively high quality portfolio made the organization a particularly good candidate for Zeitinger. Unfortunately, FIE-NGO’s members quickly grew suspicious of Zeitinger’s intentions.

Trained as an economist, Zeitinger described himself as an ex-member of the European left who believed in the value of sound economic principles and despised corruption. Many found themselves, at one time or another, in adversarial relationships with the somewhat controversial Zeitinger (Rhyne, 2001). Of FIE-NGO’s founding members, all but acting director Pilar Velasco distrusted him. Their suspicion derived from concern about the intrinsic value of Zeitinger’s suggestions, most directly, from his insistence that FIE-NGO include on its board of directors members of the Bolivian business elite. FIE’s members disagreed, maintaining that the board as it was (with them as members even though they also held all of the managerial positions) worked well, as evidenced by the organization’s operational success, and thus should not be changed. Their suspicion also responded to an interaction-derived factor, namely, Zeitinger’s brusque style. Recalled one member: “He would say: you are a group of mere housewives
and no one is going to want to hear what you have to say. You need an umbrella of important people [on
the board]” (interview, April, 11, 1997). Velasco was willing to disregard Zeitinger’s tone, but the others
disagreed, and decided that FIE-NGO should discontinue working with him. “[W]e began questioning
[w]hy this man [Zeitinger] wants to do this to us? (…) [T]hen, on a Sunday, we said: Leave us; we are
going to keep going alone without you” (interview, April, 11, 1997). Alone on the losing side of this
argument, Velasco resigned from her position as acting director and abandoned FIE.

Zeitinger subsequently invited Velasco to work with him and IPC, and together they launched Los
Andes-NGO, a new NGO earmarked to transition into a commercial financial intermediary. Zeitinger
later acknowledged that the only reason IPC continued the project after all the problems with the local
NGO professionals was because he had found in Velasco someone he could trust. “She was credible.
[… She was coherent” (interview, January 7, 1998). Los Andes-NGO began operating in 1992; Los
Andes was launched in 1995 with Los Andes-NGO as the majority shareholder.

In short, a local initiative aimed at maintaining microfinance as fundamentally a development
activity led, eventually, to the launching of Los Andes, another commercial microfinance organization.
The initial effort was inspired by the same exogenous event that inspired the mainstreaming of
microfinance, BancoSol-NGO’s overwhelming success, but was defined by a very different interpretation
framed by the development defined backgrounds of its champions, which encouraged the NGOs to
emphasize the need to support the economic activities of the poor over the need to launch a commercial
microfinance organization. This effort was stalled by Zeitinger’s invitation to launch a commercial
organization, which most, consistent with their development logic, rejected. Although FIE persisted for a
time, eventually, its members, too, found it difficult to work with Zeitinger and it also withdrew. Yet it
was these failed negotiations that provided the basis for developing a relationship of trust with Velasco
that led the two to the launching Los Andes.

Enactment of the Private Financial Fund (PFF) legislation

Los Andes-NGO was the second NGO to transition its operations into a financial intermediary, but
its launch required intense negotiation with the Superintendence of Banks and Financial Institutions (SBFI). After BancoSol, the Superintendence, concerned with the relatively large number of weak banks in the country, was reluctant to issue any more new banking licenses. It agreed, however, to work on accommodating legislation because it was sympathetic to Los Andes-NGO’s efforts. Its sympathy both responded to the operational success of the organizations operating under the commercial microfinance model (BancoSol-NGO, BancoSol, and, of course, Los Andes-NGO), and had an interaction-based element, there being multiple, strong personal connections between members of the Superintendence and Los Andes-NGO board members who lobbied vigorously to ensure that developing appropriate legislation remained a priority. Recalled a member of Los Andes-NGO: “J [a member of Los Andes-NGO board] has an important level of social ascendance. He is in the Chamber of Commerce and has access to the Superintendence without having to go through secretaries or setting up audiences” (interview, March, 16, 1998). This was important, as the Superintendence was juggling multiple challenges as it tried to restructure Bolivia’s weak financial sector.

The 24,000 Decree creating Private Financial Funds (PFFs), issued by the Superintendence in 1995, was used by Los Andes-NGO and all the other NGOs interested in transitioning into commercial financial intermediaries. The legislation, though it followed on the operational success of BancoSol-NGO, BancoSol, and Los Andes-NGO (exogenous events), would nevertheless have been unlikely but for the interactions between members of the Superintendence, IPC, and Los Andes-NGO board.

**Local NGOs lobby Bolivia’s Congress for regulatory changes**

The NGOs that had discussed the creation of a development bank, still working to protect the development logic based-view of microfinance, were now lobbying the country’s Congress, which was, at the time, engaged in the writing of the then new 1993 Banking Law. They initially met with considerable success, convincing members of Congress to include in the new law language that would enable NGOs to reap the benefits of becoming regulated financial intermediaries without forgoing their development focus (i.e., while continuing to provide non financial services and charge subsidized interest rates).
They centralized their efforts in FINRURAL, an association of local NGOs interested in maintaining lending to the poor as a development activity, and worked to influence the issuing of regulations developing this language. FINRURAL’s lobbying efforts only partially succeeded. The Superintendence did introduce new legislation (law of property and popular credit # 1864), but maintained NGOs as outside members of the country’s financial system (Gonzales and Rivas 1999).

Again, NGOs such as ProMujer and Crecer remained disengaged from these lobbying efforts. In fact, for the founders of FINRURAL (FADES, ANED, and CIDRE), this initiative was a follow up to the sidetracked efforts to launch a development microfinance bank. The motivation, however, had shifted to protecting the NGO based model from the perceived threat from the spectacular market success of BancoSol-NGO, BancoSol, and Los Andes-NGO (see Table 2). Specifically, they feared that the international salience exhibited by these commercial organizations might lead international donors to curtail support for organizations that continued to champion a donations-based model.

TABLE 2 ABOUT HERE

Concern about this salience also explains why, in parallel with these restraining efforts, some microfinance NGOs launched financial intermediaries using the new PFF legislation. Explained the manager of one of these NGOs:

[I]t is the future, but we are resisting it so it would have a human face and not a monetary face (...) Maybe tomorrow the group in power will decide that the NGOs are not going to do microcredit anymore (...) In that case, we are out of the battle. For that reason we are in Ecofuturo [a new PFF], to fight also from the side of PFFs (interview, March 17, 1998).

Local NGOs launch financial intermediaries

After 1992, FIE-NGO and a group of other local NGOs (including organizations engaged in FINRURAL) launched FIE, PFF, and Ecofuturo. FIE-NGO’s founders initiated their efforts to create a regulated financial institution following the breakdown of conversations with Zeitinger (IPC), negotiating with the Superintendence and attempting to attract investors between 1992 and 1997. In February 1998,
they transferred FIE-NGO’s loan portfolio to the FIE, PFF and began operating as a financial intermediary. As with BancoSol and Los Andes, the majority shareholder was the founding NGO, but a private local investor (the Johnson family) had a minority but relevant participation.

Ecofuturo’s origins can be traced to the sidetracked efforts to launch a microfinance development bank and FINRURAL’s frustrated efforts to pass legislation that would support the development of microfinance NGOs within the regulated financial sector. As with FIE-NGO, the breakdown of conversations with Zeitinger, together with the success of Los Andes-NGO, the organization he spearheaded with Velasco (see Table 2), lent salience to the issue of transitioning. That the local NGOs believed they might not be able to keep pace of the success of commercial microfinance organizations unless they, too, followed the mainstreaming path is reflected in this remark by one of the managers associated with the project. “*When it becomes a river you cannot swim against the current. We have said ‘or we jump into this wagon or there is no long term financial survival [for us]’*” (interview April 16, 1997). The initiative, which ultimately included five NGOs (see Figure 1) that held the majority of shares as well as local private investors such as Villalobos, began to operate in June 1999, following arduous negotiations with the Superintendence.

The decision to launch both FIE, PFF and Ecofuturo strengthened the mainstreaming of microfinance in Bolivia. Although enabled by an exogenous event, the legislation that Los Andes-NGO had helped to create (Decree 24,000), and inspired by the tensions generated by the success of BancoSol and Los Andes, these initiatives were defined by a web of interactions that suggested that their future success depended on following the mainstreaming path.

**INSTITUTIONAL PIONEERING, RESISTING AND FURTHERING**

Table 3 provides a summary of the seven instances of strategic engagement identified. As shown, decisions clustered around three types: pioneering, resisting, and furthering.

**TABLE 3 ABOUT HERE**
Pioneering

Evidence of institutional pioneering leading to the mainstreaming of microfinance included the following three instances: (1) the launch of BancoSol-NGO (the first development microfinance organization); (2) the launch of BancoSol (the first microfinance financial intermediary); and (3) enactment of Decree 24,000, which created PFFs (enabling legislation for NGOs desiring to launch commercial microfinance organizations).

The actors who championed these pioneering initiatives varied. Among them were individuals acting on their own behalf (Romero, Velasco) or on behalf of their organizations (Acción, IPC, BancoSol-NGO, Los Andes-NGO), with local (Romero, Otero, Velasco) and international (Duncan, Gross, Zeitinger) affiliations, individuals with access to substantial resources (Romero) and/or personal charisma (Otero), and skilled professionals (Velasco). Different backgrounds notwithstanding, one thing universally shared by these actors was that microfinance in Bolivia was marginal to their professional activities (see Table 3). Those working on behalf of Acción and IPC, the organizations that brought microfinance to Bolivia, were foreigners who had never worked in the country before. Romero and the other businessmen who agreed to serve on BancoSol-NGO’s board had never before been engaged with organizations that served the poor, much less organizations that granted loans to the poor. The field was marginal even to Otero and Velasco, the two NGO professionals engaged in it.

Otero, before joining BancoSol-NGO, had worked as loan officer serving rural areas (through loans to associations of farmers), but for a rather brief period time. Moreover, in contrast to most NGO professionals, he had been educated in the United States and, because of his family background, had stronger personal ties to the country’s business elite than to local NGO professionals. In contrast, Velasco had been locally trained and was well acquainted with the local NGO professionals, who had been her peers for many years. But her decision to partner with Zeitinger was viewed as a sort of treason and resulted in her estrangement from the NGO microfinance development field.

The literature has established positioning as an outsider or being marginal to a field as being crucial
to engaging in innovations that change the field (Leblebici et al. 1991, Chung and Luo, 2008). The assumption is that these actors have much to win and little to lose from their engagement. Still, the question of interest here is not whether it is easier for marginal actors to effect change in a field but whether (or what) exogenous events and/or endogenous tensions motivate an outsider to ever engage in such behavior; a question particularly relevant when, as in the case of the Bolivian elite, this field continues to remain marginal to their operations.

The episodes recounted here provide evidence that the crucial motivation for marginal actors to engage in institutional pioneering is interactions (how actors do things together), not exogenous events or endogenous tensions. In the launch of BancoSol-NGO, exposure to the success of microfinance abroad was the inspiring exogenous event, but preexisting personal connections and subsequent interactions among members of the Bolivian elite and members of Acción explain the specific actors who engaged in the initiative. Romero accepted the invitation from Acción’s chairman of the board because Duncan had given him his first job out of college, and Acción would have never entered Bolivia absent the personal connection between Duncan and Romero.

The influence of interactions is also in evidence in the launch of BancoSol. The exogenous event that motivated BancoSol’s launch (the success of BancoSol-NGO) was interpreted by most actors, including Acción’s members, not as motivation to launch a commercial financial institution but to further its reach as an NGO. In fact, what precipitated the launch of BancoSol was the unexpected encounter with Connell, the Acción board member who, without Acción’s knowledge, shared with Otero (a BancoSol-NGO manager) and Romero (the BancoSol-NGO chairman) the origins of Crédit Agricole. This encounter redefined Romero’s appreciation for the tensions being experienced by BancoSol-NGO in the emerging structural context—namely, its financial difficulties and Otero’s democratizing dream—providing him with the inspiration to champion the launch of a microfinance bank.

Finally, the enactment of legislation to facilitate the transition of NGOs into financial intermediaries cannot be explained entirely by the operational success of microfinance, although that success was certainly important. Other countries had spawned successful microfinance organizations without
subsequently enacting regulatory changes to accommodate the growth of microfinance financial intermediaries (Colombia, for example). A full explanation needs to include the web of interactions and engagements among IPC consultants, members of Los Andes-NGO’s board of directors, and professionals working in Bolivia’s Superintendence. This web defined the interaction context that led Superintendence staff to perceive legislation that would permit NGOs to launch commercial microfinance intermediaries to be an issue in need of their immediate attention.

**Resisting**

The evidence included two cases of actors engaged in resisting the mainstreaming of microfinance. One involved local NGOs initiating discussions about creating a development bank that were subsequently stalled by Zeitinger’s invitation to join IPC in launching a commercial financial institution. The other instance was the creation of an association (FINRURAL) to lobby for legislation that would grant NGOs access to the advantages of financial intermediaries (i.e., listing of defaulting borrowers, capturing of deposits) without requiring them to abandon their development logic-based approach to microfinance, particularly, their maximalist approach to lending (i.e., providing services other than financial) and access to donations.

Whereas microfinance was marginal to its pioneers, it was central to the actors engaged in resisting its progress (see Table 3). The latter were local NGOs engaged in providing services other than loans. This is not surprising, but it is a reminder that actors’ field positioning frames their interpretations of the structural context and thus of exogenous events and endogenous tensions. Insiders are simply more likely than outsiders to be aware of field altering events (e.g., the overwhelming success of BancoSol-NGO) in the absence of interactions with actors from outside their field of reference. Accordingly, insiders are more likely to engage in strategic actions following exogenous events without prior interactions (such as led Romero to engage in the founding of BancoSol-NGO) or fortuitous encounters (as between Romero and Connell) with outsiders to the field.

But just as marginality was not enough to explain engagement in pioneering efforts, so centrality
emerged as insufficient to explain engagement in resistance efforts. Not all microfinance development
organizations in Bolivia resisted the mainstreaming of microfinance, two well-known examples being
ProMujer and Crecer. This also means that awareness of a field-altering event is insufficient to explain
central actors’ interest to engage in institutional resistance. Again, the evidence suggests that interactions
play a crucial role by affecting not only awareness of exogenous events, but also actors’ interest in
engaging strategically as a response to those events.

The only organizations that engaged in resisting mainstreaming of microfinance in Bolivia were, in
the first instance, those that had been engaged in the development of FADES (prior to the news of the
success of BancoSol-NGO). This prior engagement provided them with a social base not shared by other
local NGOs (such as ProMujer or Crecer). The organizations so engaged in the second instance were
those that had seen their efforts to launch a development microfinance bank stalled by Zeitinger’s
intervention. These interactions created a time oriented vector, a path of action within the wider structural
context that defined the engagement of these NGOs as resisters, while other NGOs absent from this path
of action (e.g., ProMujer and Crecer) remained disengaged.

Thus, whereas the pioneers were engaged only after gaining awareness and interest through unusual
and fortuitous interactions with outsiders, the resisters, having microfinance as their dominant activity,
were aware of exogenous events that influenced the field. Yet, only a few of these organizations engaged
in resisting actions, those that, because of the path of action on which they were embarked, had acquired a
particular interest in resisting the advancement of the mainstreaming of microfinance.

Furthering

The evidence also included two cases of actors engaged in actions intended to further the
mainstreaming of microfinance in Bolivia’s financial sector, (1) FIE-NGO’s launch of FIE, PFF in 1997,
and (2) the group of local NGOs that launched Ecofuturo, PFF in 1999. As in the case of the resisting
actions, these furthering initiatives involved actors and organizations for whom and which microfinance
was central (see Table 3). It should be noted that all of these organizations had been engaged in the first
instance of resisting, and some in the second instance as well.

The furthering initiatives trace back to an exogenous event, namely, the success of BancoSol and Los Andes, the portfolios of which more than doubled in the year of their transition into financial intermediation even as the portfolios of the local NGOs engaged in these furthering actions remained comparatively meager (see Table 2). They are, then, good examples of mimetic isomorphism (DiMaggio and Powell 1983). They followed from actors’ willingness to imitate a successful model. There were also elements of normative and coercive isomorphism (see also Deephouse 1996, Galaskiewicz and Wasserman 1989), as interviewees argued that their inspiration came from their fear of having the organizations they had created become irrelevant by virtue of remaining comparatively small when and if donations were to dry up for organizations not following the mainstreaming path.

As in the case of resisting actions, the NGOs that engaged were those that had interacted with Zeitinger, and interviewees consistently cited these interactions as central to their stories of why they engaged in the launching of these organizations. Consider, for example, the following remark by a member of FIE. “[W]ith the Zeitinger disaster (...) we already have planted in our head the idea of transitioning” (interview, March 3, 1998). These interactions redefined the issue under negotiation (the launch of a commercial microfinance organization), giving it more salience among the actors involved and framing their decision to follow isomorphically the steps of BancoSol and Los Andes even as those not involved (e.g., ProMujer and Crecer) continued along their own path as development NGOs.

DISCUSSION

Institutional pioneering, furthering, and resisting represent three forms of agency that, although related to those currently identified, relevantly expand our understanding of the diversity of types of institutional agency (Dorado, 2005, Lawrence and Suddaby 2006). Institutional pioneering is a form of institutional entrepreneurship in that, through accumulation, these actions generate institutional change. Pioneering is a peculiar form, though, in that whereas pioneers are mindfully engaged in breaking away from established logics, they do so only to accommodate their innovative projects and not specifically
with the desire to generate institutional change. Furthering, in turn, is a form of institutional diffusion
(DiMaggio and Powell 1983), as it involves actors adopting an existing model. It, too, is peculiar,
though, in that, because the model adopted is still emergent, these actors’ adoption of it contributes to the
development instead of the diffusion of the new model. The last form of engagement identified by the
evidence, resisting, which involves actors willfully trying to prevent institutional pioneering initiatives
from taking hold in the institutional landscape, has been previously recognized in the literature (see

Our exploration of the conditions that defined actors’ engagement in these three forms of
institutional agency has yielded a new model for understanding differences in actor’s engagement (see
figure 2) that, although consistent with existing research, highlights the role of actors’ interaction in
defining why actors with a similar profile, who inhabit the same institutional context, might adopt
different forms of institutional engagement in institutional shaping including no engagement.

FIGURE 2 about here

**Exogenous events, endogenous tensions and institutional shaping**

The evidence in the institutional literature suggests that both exogenous events and endogenous
tensions played an important role in the mainstreaming of microfinance. New, surprising, and/or
unexpected information about exogenous events was at the source of the pioneering, furthering, and
resisting actions studied. The success of microfinance in other countries inspired actors to engage in the
creation of BancoSol-NGO (the first microfinance NGO). BancoSol-NGO’s success, in turn, explains its
engagement in the launch of BancoSol, the first microfinance bank, as well as the engagement of local
NGOs in initiatives that tried to sidetrack the mainstreaming of microfinance. Nevertheless, it is
inaccurate to suggest that the mainstreaming of microfinance was fundamentally driven by events out of
the control of the actors involved.

The exogenous events that inspired the launch of BancoSol-NGO and Los Andes-NGO could have
and were disregarded by many actors. In turn, field-altering events such as the success of BancoSol-NGO
were open to multiple interpretations, and were for most actors not an inspiration to engage in the mainstreaming of microfinance. Moreover, the success of BancoSol and Los Andes was perceived not only as a call to follow their path for fear of becoming irrelevant (as it was by FIE-NGO and Ecofuturo), but also as something other organizations did (as it was by Promujer and Crecer) and something to be resisted (as it was by members of FINRURAL). Exogenous events, then, even when field altering, were insufficient to understand actors’ engagement in institutional shaping.

The evidence also supports the relevance of endogenous tensions to actors’ engagement, although not in isolation from exogenous events (see Table 3). Regarding pioneering engagement, the tensions generated by the macro-economic crisis affecting Bolivia and policies for addressing it provided fertile ground for members of Acción to present, and Bolivian businessmen to become inspired by, the success of microfinance abroad. The limitations of donor-based financing highlighted by BancoSol-NGO’s success explain the launch of BancoSol.

Institutional tensions were even more crucial to an explanation of why actors engaged in resisting and furthering the mainstreaming of microfinance. It was neither the success of microfinance abroad nor of BancoSol-NGO in Bolivia that led them to resist it, but rather their expectation of how this success would (a) diminish the financing available to NGOs that chose not to follow this path (which never materialized), and (b) make their operations appear insubstantial compared to those of commercial microfinance organizations (e.g., BancoSol and Los Andes).

Notwithstanding, even considering exogenous events and endogenous tensions simultaneously, structural factors fail to explain the engagement of certain actors even as other actors exposed to the same events and tensions remained disengaged.

**Actors’ profiles and institutional shaping**

As suggested in the literature, the evidence also supports actors’ engagement being framed by personal qualities and access to resources (Rao 1998, Jones 2001, DiMaggio 1991). Indeed, the creation of BancoSol and Los Andes can hardly be explained without considering the substantial resources
brought by Romero, Zeitinger, Otero, or Velasco. Moreover, the evidence supports research that suggests that actors’ field positioning influences the type of engagement they are likely to pursue (Leblebici et al. 1991). For actors engaged in pioneering mainstreaming, for example, microfinance was marginal, whereas it was central for those engaged in resisting and furthering its advancement (see Figure 2).

In short, actors’ engagement is in part explained by their profiles, which includes their field positioning. This research, however, is insufficient to explain why, among the Bolivian business elite (all marginal), BancoSol was championed not by Johnson (who in 1998 agreed to invest in FIE, PFF) or Villalobos (who in 1999 agreed to invest in Ecofuturo), but by Romero. Why, among the members of FIE-NGO (central), was it Velasco who followed up with IPC, and not Ramirez, another member of FIE-NGO who later led its launch of a PFF, and who, because of her training at Harvard University’s Kennedy School of Government, was one of the first Bolivians ever to be exposed to the success of microfinance.

**Interactions and institutional shaping**

Institutional research has acknowledged that actors’ engagement is influenced by their prior interactions. Researchers have argued that actors’ placed as structural holes are more likely to have access to information that encourages their perception of observed events as opportunities (Aldrich and Fiol 1994, Chung and Luo, 2008). Institutional research has also suggested that actors with the social and/or political skills to frame issues within existing institutional frameworks are more likely to gain support for their projects from other actors (Rao 1998, Fligstein 2001, Lounsbury and Glynn 2001, Lounsbury, Ventresca, and Hirsch 2003). This research, however, disregards the dynamic effect of encounters on actors beyond whether their interactions produce new information or generate resources for a particular initiative.

Notwithstanding, who the actors engaged in the mainstreaming of microfinance were can hardly be understood without attending to the dynamic effects generated by actors’ interactions. This paper traces the origin of commercial microfinance to Romero’s invitation by Acción International’s Duncan to launch BancoSol-NGO. This invitation is interesting not only because it was accepted by Romero, but also
because, a few years later, the tables turned and Romero was championing the idea of launching a commercial bank without Acción’s engagement or approval. Romero’s decision to launch BancoSol is, in turn, important not only because that organization pioneered commercial microfinance, but also because the negotiations with donors and the local banking regulatory authorities requisite to its founding generated a social platform that was later used by the founder of Los Andes to advance that organization’s mainstreaming initiative.

Scholars have also argued for a role for serendipitous encounters in the origin of institutional change (Aldrich and Ruef 2006). Indeed, the evidence suggests that unplanned and serendipitous encounters can play a role in the process not only by directly generating instances of change, but also by defining paths that make actors’ engagement in institutional shaping more likely. It was the serendipitous encounter with Connell that planted the seed of Romero’s decision to launch a commercial bank, even over the resistance of Acción’s leadership. Similarly, the invitation by IPC’s Zeitinger, although rejected by the group of local NGOs to which it was opportunistically extended, was nevertheless fateful to the development of microfinance. It explains why some local NGOs abandoned their plans to launch a development bank as well as which among the local NGOs (FADES and FIE, but not ProMujer and Crecer) subsequently engaged in commercial microfinance. It also blazed a number of paths that yielded willful actions variously aimed at paving, furthering, and restraining the advancement of the mainstreaming of microfinance, notably, the launch of Los Andes occasioned by the trust relationship that developed between Zeitinger and Velasco, the launch of FIE, PFF in the wake of acrimonious disagreements with Zeitinger over the changes that would be required for FIE to work with IPC, the local NGOs’ launch of FINRURAL in an attempt to restrain the advancement of commercial microfinance, and the launch of Ecofuturo by the local NGOs that had turned away Zeitinger.

These paths of actions form a mesostructure or interaction context that although it does not define actors’ engagement in institutional shaping—why actors engage is most clearly explained by exogenous events, endogenous tensions, and the actors’ profiles—nevertheless provides the most plausible explanation for why among actors with a similar profile some chose to engage while others do not.
CONTRIBUTIONS AND IMPLICATIONS FOR FUTURE RESEARCH

The model advanced in this paper contributes to institutional and negotiated order theories. Consistent with institutional theory, the paper suggests that exogenous events and endogenous tensions create space in the institutional context for actors to identify opportunities to become mindful and either change, effortfully re-enact, or defend established institutional logics. But opportunities only become such when perceived by actors. Access to information and resources as well as their field positioning increase actors’ chances of perceiving and acting on these opportunities, but actors with similar field position and access to information and resources might or might not mindfully engage in institutional shaping. The likelihood of perceiving an opportunity to engage in institutional shaping and doing so is determined by the paths of actions actors generate through their daily dealings. These paths increase the salience of exogenous events and endogenous tensions as well as frame actors’ perceptions of the need for, and/or interest served by, their engagement.

The paper then advances institutional research on agency by offering interactions as the reason for why actors ever become interested in engaging in institutional shaping, not only capable as currently argued (see DiMaggio, 1988, Dorado, 2005). This finding is relevant not only because it addresses an aspect so far unclear in institutional theory—why actors develop an interest to engage in institutional shaping—but also because it answers to current calls for research on how institutional micro-processes are “inhabited” (Scully and Creed, 1997) by people doing things together (Hallett and Ventresca, 2006: 213). For if we accept that interactions is the reason why actors engage in institutional shaping, we are accepting that fundamentally interpersonal factors, such as emotion (see Hallett, 2003b), are at play in this process. Research on the role of these interpersonal factors would require of ethnographic studies that permit to observe actors behaviors directly.

The paper also advances negotiated order theory. In negotiated order, interactions are conceptualized as a mesostructure (Maines 1977, 1979, Fine 1995), which, like a sort of filter, defines the elements of the structural context that impinge on actors (Strauss 1978). The evidence analyzed
highlights the dynamic quality of this mesostructure, in which, like water currents, past interactions create new paths of interaction that influence not only actors’ appreciation of the broader institutional context but also their attitudes towards the need to engage in shaping this broader context.

This model is consistent with views of institutional shaping that suggest that organizational diversity follows from “bits and pieces of alternative economic orders” that pave the paths of even the most settled fields (Schneiberg 2006: 24). It complements this perspective by offering, as a mechanism (Davis and Marquis 2005), paths of action that define why actors might or might not recall these bits and pieces of institutional debris. Even when fields are littered with “institutional flotsam and jetsam” (Schneiberg 2006: 24), the debris is not available to all, and its relevance to current action emerges only in the context of a specific set of interactions.

Finally, the model is also convergent with and complements research on the origin of breakthrough technological change, which suggests that it might occur as the actions of multiple actors weave and accumulate over time (Garud and Karnøe, 2003, Dorado, 2005, also Hargrave and Van de Ven, 2006). This research has been dismissive of episodic events that might fail to generate a cumulative innovative effect. In contrast, this paper highlights how episodic events, although they might not accumulate into a particular path, can drastically influence actors’ interest to engage in institutional shaping (as in the case of the encounter between Zeitinger and the members of FIE).

This paper’s exploration of multiple forms of institutional engagement was possible because the social tightness of the setting facilitated an exploration of actors’ interactions across the field. In broader settings, scholars might be able to study these interactions by focusing on recurrent field events (Lampel and Meyer, 2005) such as conferences (see Zilber 2007, Garud forthcoming) or transorganizational structures (Anand and Watson 2004). These events and organizations, in bringing together a wide range of participants in particular institutional fields, might provide a context in which the formation of paths of action that define actors’ likelihood of engaging in institutional shaping can be observed.
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**TABLE 1**  
**Chronology of the evolution of microfinance in Bolivia**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>BancoSol-NGO begins operations. It is not only the first microfinance organization, but the first organization ever to provide loans to the urban poor in Bolivia.</td>
</tr>
<tr>
<td>1988</td>
<td>FIE-NGO (which began operating in 1985) begins to provide loans to the poor. It serves urban areas, but concentrates on manufacturing.</td>
</tr>
<tr>
<td>1989</td>
<td>BancoSol-NGO’s leadership begins considering the launch of a commercial microfinance organization.</td>
</tr>
</tbody>
</table>
| 1990 | SARTAWI (which began operating in 1985) begins to provide loans in rural areas.  
FADES (which began operating in 1986) begins to provide loans in rural areas.  
Promujer (which began operating in 1989) begins to provide loans to the poor in urban areas (focusing on women), but out of major urban centers.  
Crecer begins to provide loans in urban areas, but out of major urban centers. |
| 1991 | IDEPRO (founded in 1986) begins to provide loans in urban areas. It follows microfinance principles, except credit only.  
CIDRE (founded in 1981) begins providing loans to the poor in rural areas.  
FIE-NGO adopts microfinance principles, except credit only. |
| 1992 | BancoSol begins operations as the first commercial microfinance organization.  
Los Andes-NGO begins operations. It is earmarked to transition into a commercial microfinance organization. |
| 1993 | FINRURAL is founded as an association to represent the interests of microfinance providers that wish to remain NGOs. |
| 1994 | FADES adopts microfinance principles, except credit only.  
ANED (which began operating in 1978) adopts microfinance principles, except credit only. |
| 1995 | Crecer adopts microfinance principles, except credit only.  
Los Andes-NGO launches Los Andes. |
| 1997 | FIE-NGO launches FIE, PFF. |
| 1998 | Promujer adopts microfinance principles, except credit only. |
| 1999 | BancoSol-NGO launches BancoSol-NGO, PFF.  
Four NGOs (FADES, CIDRE, ANED, and IDEPRO) launch Ecofuturo.  
A group of PFFs and BancoSol launch ASOFIN, an association devoted to defending the interests of commercial microfinance organizations. |
TABLE 2
Comparative evolution of selected microfinance organizations in Bolivia (portfolio outstanding in $ 000)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>BancoSol</td>
<td>8,800*</td>
<td>24,800</td>
<td>33,200</td>
<td>36,700</td>
<td>47,400</td>
<td>63,100</td>
<td>74,068</td>
</tr>
<tr>
<td>Los Andes</td>
<td>711</td>
<td>1,362</td>
<td>2,863</td>
<td>6,049*</td>
<td>11,880</td>
<td>20,430</td>
<td>28,614</td>
</tr>
<tr>
<td>FIE</td>
<td>2,082</td>
<td>3,108</td>
<td>4,159</td>
<td>5,881</td>
<td>7,694</td>
<td>12,127</td>
<td>16,700*</td>
</tr>
<tr>
<td>Idepro</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>2,383</td>
<td>5,003</td>
<td>7,343</td>
</tr>
<tr>
<td>Cidre</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>921</td>
<td>919</td>
<td>1,148</td>
</tr>
<tr>
<td>FADES</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>5,200</td>
<td>6,512</td>
<td>9,047</td>
</tr>
<tr>
<td>ANED</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>4,535</td>
<td>5,808</td>
<td>6,451</td>
</tr>
</tbody>
</table>

* Year in which the organization transitioned into a financial intermediary
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<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
<th>Institutional Actions</th>
<th>Exogenous events framing engagement</th>
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<tr>
<td>1987: Launch of BancoSol-NGO</td>
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<td>Economic crisis and structural adjustment</td>
<td>Outsiders with high social standing for whom microfinance in Bolivia was marginal</td>
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<td>1992: Launch of BancoSol</td>
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<td>Development financing (donations) cannot fuel BancoSol’s growth</td>
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<td>1990s: NGOs discuss creating a microfin. dev. bank</td>
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<td>BancoSol violates dominant development logic</td>
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<td>1995: Decree 24,000</td>
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<td>1997: Lobbying to maintain microfin. as development</td>
<td>Resisting</td>
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<td>Central Microfinance high relevance</td>
<td>Created platform and planted seeds for engagement by enhancing the salience of the potential of commercial microfinance organizations’ success to NGO microfinance</td>
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<td>1997: Launch of FIE, PFF</td>
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<td>1999: Launch of Ecofuturo, PFF</td>
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<td>Created platform for engagement Furthered interest on engagement</td>
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FIGURE 1
NGOs and commercial organizations engaged in microfinance (Dec. 2007)

The year indicates founding or initiation of operations. The arrows indicate transition towards mainstreaming. Organizations engaged in maximalist microfinance are those that provide services other than financial.
FIGURE 2
Conditions defining actors’ engagement in institutional shaping

Outsider and marginal actors → Pioneering → Interactions → Exogenous events

Insider and central actors → Furthering → Interactions → Endogenous tensions

Resisting → Interactions
Founded in 1892, the University of Rhode Island is one of eight land, urban, and sea grant universities in the United States. The 1,200-acre rural campus is less than ten miles from Narragansett Bay and highlights its traditions of natural resource, marine and urban related research. There are over 14,000 undergraduate and graduate students enrolled in seven degree-granting colleges representing 48 states and the District of Columbia. More than 500 international students represent 59 different countries. Eighteen percent of the freshman class graduated in the top ten percent of their high school classes. The teaching and research faculty numbers over 600 and the University offers 101 undergraduate programs and 86 advanced degree programs. URI students have received Rhodes, Fulbright, Truman, Goldwater, and Udall scholarships. There are over 80,000 active alumnae.

The University of Rhode Island started to offer undergraduate business administration courses in 1923. In 1962, the MBA program was introduced and the PhD program began in the mid 1980s. The College of Business Administration is accredited by The AACSB International - The Association to Advance Collegiate Schools of Business in 1969. The College of Business enrolls over 1400 undergraduate students and more than 300 graduate students.

**Mission**

Our responsibility is to provide strong academic programs that instill excellence, confidence and strong leadership skills in our graduates. Our aim is to (1) promote critical and independent thinking, (2) foster personal responsibility and (3) develop students whose performance and commitment mark them as leaders contributing to the business community and society. The College will serve as a center for business scholarship, creative research and outreach activities to the citizens and institutions of the State of Rhode Island as well as the regional, national and international communities.

The creation of this working paper series has been funded by an endowment established by William A. Orme, URI College of Business Administration, Class of 1949 and former head of the General Electric Foundation. This working paper series is intended to permit faculty members to obtain feedback on research activities before the research is submitted to academic and professional journals and professional associations for presentations.

An award is presented annually for the most outstanding paper submitted.