

## **When Two Worlds Meet: Institutional Merging in Subsistence Marketplaces and Implications for Marketing Management**

*“..millions of toilets are created in villages across India. Many of these are used as store rooms and not as toilets. People don’t use these toilets but rather go out for their necessities in the open. But still private agencies and govt. [are constructing] millions of toilets. The perceived need [for toilets] is not of the community but some other agents outside the community.” – Hussain (Social entrepreneur)*

### **The Problem**

Exaggerated, Yes! But one man’s toilet could certainly be another man’s store-room. In the above quote, Hussain is referring to a situation where external organizations design solutions for subsistence marketplaces in a top-down fashion without understanding local psycho-social realities. The larger conundrum that this quote exemplifies is all-pervasive in the field of marketing in subsistence marketplaces (SMs) (Viswanathan, 2010). The central challenge of marketing in SMs is that organizations seeking to enter local subsistence contexts originate in formal-institutional contexts, shaped by laws, property rights and mainstream media. However, SMs operate within a web of locally evolved informal-institutions, shaped by social interactions (Webb et al., 2009; Viswanathan et al., 2012). Consequently, there are stark differences in norms, values and beliefs across these contexts (Viswanathan, 2010; Webb et al., 2009). These institutional differences pose tremendous challenges for marketing organizations seeking to create solutions for SMs. This is because institutions are based on shared social realities, which are in turn constructed through human interactions (Scott, 1987). The institutions so constructed provide us with the shared mental models to structure and organize the uncertain environment we inhabit (North, 1991). Consequently, when entities from significantly different institutional environments interact, as is the case with marketing in SMs, the differences in mental models could lead to divergence in interpreting the same objective reality. Indeed, how does one design solutions for contexts one does not know or understand?

### **Theoretical Orientation**

The ideal of positive social change that guides the efforts of subsistence marketing enterprises (SMEs) necessitates institutional changes in the local contexts (Kottak, 1990). For example ‘keeping girls in schools in developing countries’ (Andreasen, 2002: 4), requires altering traditional institutional structures that support and reward the behaviour of taking girls out of school. This necessitates a shift in focus of the SME from the product or solution level to the institutional level. The aforementioned institutional change is a process where the top-down orientation of external SMEs pushes against the bottom-up orientation of locally evolved informal-institutions. Therefore, extant research’s predominant focus on outcomes of strategic action masks the important social processes that underlie the effectuation of institutional change. A process-based understanding promises to shed light upon several important questions. For example, a) do the external organizations impose their own institutional norms on the local context or do they adopt the local institutional norms?, b) how do they gain legitimacy in the local contexts? and c) how is sustainable positive change created? The quest for such a processual understanding motivates this research.

Complementary to outside-in orientation of social entrepreneurship and BoP literature, the subsistence marketplaces literature has systematically examined locally evolved institutions that guide marketplace exchange in contexts of poverty (Viswanathan et al., 2012). Subsistence contexts might be characterized by formal-intuitional voids (Mair & Marti,

2009), but they operate within intricately orchestrated informal-institutional mechanisms (Mazzucato & Niemeijer, 2002). For example, we know that subsistence marketplaces are characterized by pervasive-interdependence and a tradition of orality. Exchanges in subsistence marketplaces transpire within a context of enduring relationships and interactional empathy (Viswanathan et al., 2012). The intensely social nature of these marketplaces calls for a sociologically grounded examination of the phenomenon of marketing in SMEs.

## **Method**

Qualitative research was adopted as the research methodology because it lends itself to the study of processes – a key goal of this research (Lofland & Lofland, 1995). Data was gathered from 19 social enterprises, 8 of which were from India, 5 from Tanzania and 6 from Argentina. 33 individuals, spread across these 19 organizations, were interviewed. Field observations and interactions were conducted with beneficiaries of 7 of these organizations. Open ended interviews were conducted and given our focus on process, we asked informants to reconstruct their field experiences in a chronological order. Formal interviews lasted anywhere between 30 minutes to 60 minutes. Given the focus of research on institutions, observational data from context and dyadic data covering both organizational perspective and community perspective were collected to assist in developing a richer theory. We sampled organizations across multiple geographies and multiple substantive domains such as health, education, livelihoods, microfinance, rural development, marketplace literacy and environment. Multi-context studies are particularly useful for studying the micro-macro relationships, which is a core focus on this paper (Ekstron, 2007).

## **Findings and Implications**

Analysis of data from in-depth interviews and participant observations reveals a process of ‘institutional-merging’ – a process in which two institutions coming in contact, shape each other in a process of co-evolution, and gain aspects of each other. We conceptually situate SMEs as the enactors of this process of institutional merging. The process of institutional merging is decomposed into 4 stages, each of which is defined and dimensionalized in this article. The 4 stages are a) entry, b) catalyzation, c) political churn and d) resource linking. Continuous dialogue permeates all stages of the process and involves trust-building, conflict-resolution and mutual learning.

The process model advanced in this article has two key theoretical implications. First, it advances the notion of institutional merging, capturing the process of institutional change that ensues when two distinct institutions come in contact with each other. The grounded theory building approach adopted in the article allows for the emergence of a finely textured model that captures different stages of the process and the constituent forces that shape the process. Secondly, the article conceptualizes SMEs as enactors of the process of institutional merging. This theoretical interpretation accounts for both the top-down orientation of SMEs and the bottom-up orientation of locally evolved institution mechanisms. Consequently, it illuminates the dynamics of the social process that ensues when the top-down meets the bottom-up. In addition to the theoretical implications, the process-based understanding presented in this article offers nuanced insights for a) product-development for subsistence marketplaces, b) scaling of solutions, c) market entry strategy and d) communication strategy. From the policy standpoint, the article provides a theoretical basis for understanding the dark-side of marketing in SMEs, wherein local communities are adversely impacted by organizational actions.

## References

- Andreasen, A. R. 2002. Marketing social marketing in the social change marketplace. *Journal of Public Policy & Marketing*, 21(1): 3-13.
- Ekström, K. M. 2006. The Emergence of Multi-sited Ethnography in Anthropology and Marketing. *Russell Belk (ed.), Handbook of Qualitative Research Methods in Marketing*.
- Kottak, C. P. 1990. Culture and “economic development”. *American Anthropologist*, 92(3), 723-731.
- Lofland, J., & Lofland, L. H. 1995. Developing analysis. *Analyzing social setting*, 183-203.
- Mair, J., & Marti, I. 2009. Entrepreneurship in and around institutional voids: A case study from Bangladesh. *Journal of business venturing*, 24(5): 419-435.
- Mazzucato, V., & Niemeijer, D. 2002. Population Growth and the Environment in Africa: Local Informal Institutions, the Missing Link\*. *Economic Geography*, 78(2): 171-193.
- Scott, W. R. 1987. The adolescence of institutional theory. *Administrative science quarterly*, 493-511.
- Viswinathan, M. 2010. A micro-level approach to understanding BoP markets. *Next generation business strategies for the base of the pyramid*, 129-164.
- Viswanathan, M., Sridharan, S., Ritchie, R., Venugopal, S., & Jung, K. 2012. Marketing Interactions in Subsistence Marketplaces: A Bottom-Up Approach to Designing Public Policy. *Journal of Public Policy & Marketing*, 31(2): 159-177.
- Webb, J. W., Tihanyi, L., Ireland, R. D., & Sirmon, D. G. 2009. You say illegal, I say legitimate: Entrepreneurship in the informal economy. *Academy of Management Review*, 34(3), 492-510.