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Institutional voids and the emancipatory potential of digital entrepreneurship

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INSTITUTIONAL VOIDS AND THE EMANCIPATORY POTENTIAL OF DIGITAL ENTREPRENEURSHIP: EVIDENCE FROM SAUDI ARABIA

MAURA MCADAM
DCU Business School
Dublin City University
Glasnevin, Dublin 9

CAREN CROWLEY
Maastricht School of Management

RICHARD T. HARRISON
The University of Edinburgh Business School

ABSTRACT

This paper examines the emergence of digital entrepreneurship in the context of emerging economies. We argue that digital entrepreneurship facilitates the navigation and bridging of socio-cultural institutional voids and provides opportunities to alter the existing institutional, social and cultural context. In so doing, we draw upon six biographical narrations of female digital entrepreneurs in Saudi Arabia.

INTRODUCTION

Institutional voids emerge when there is a complete lack of, or underdeveloped, institutional framework to support entrepreneurship (Elert & Henrekson, 2017). The presence of institutional voids is apparent in limited policies, infrastructural supports or an unsupportive culture, which act to constrain entrepreneurial processes and outcomes (Spiegel and Harrison, 2017; Bruton et al., 2010). Such institutional voids are common in emerging economies characterized by newly established commercial practices and social norms (Manolova et al., 2008).

Prior studies have highlighted the need for supportive policies and infrastructure to promote and enable entrepreneurship (Baketr et al., 2017; Boehe & Cruz, 2013; Giacomin, 2011). However, the impact of social and cultural practices on entrepreneurship remains relatively underexplored. Culture is defined as patterns of thinking, feeling and acting which are learned and shared by others (Hofstede, 2001). Culture impacts entrepreneurship by defining who is deemed socially 'legitimate' as an entrepreneur and thus facilitates the development of pro-entrepreneurial values and patterns of thinking (Krueger et al., 2013). For instance, Marlow and McAdam (2015) argue that in societies where social norms associate entrepreneurial activity with masculinity, female entrepreneurs lack legitimacy which may subsequently reduce their access to resources. Indeed, Krueger et al. (2013:704) argue that 'how' and 'why' cultural practices matter' for entrepreneurial action remains underexplored and requires greater empirical attention.

Digital entrepreneurship has been posited as a means to overcome limitations in the institutional environment, including unsupportive cultural practices, with lower barriers to entry enabling the 'democratization' of entrepreneurship (Namsibian, 2016). However, Dy et al. (2017) argue that this conceptualization of the internet as a neutral and meritocratic space, particularly in the context of socially marginalized groups, remains significantly underexplored. Accordingly, the aim of this paper is to explore how female digital

entrepreneurship develops in the presence of social and cultural institutional voids, which manifest as social practices and norms of behavior unsupportive to entrepreneurship.

In order to achieve our research aim, our empirical setting is Saudi Arabia, an economically wealthy but underdeveloped economy, characterized by a masculine culture, heavily reliant on oil revenues, with ambitious plans to diversify and promote entrepreneurial growth (Kingdom of Saudi Arabia Government, 2016). According to Spiegel and Harrison's (2017) classification of entrepreneurial ecosystems, Saudi Arabia is munificent in entrepreneurial resources such as access to finance but lacks a well-functioning social and cultural framework to support entrepreneurship. These limitations manifest as institutional voids, constraining entrepreneurial actions. However, there is increasing anecdotal evidence to suggest that female entrepreneurs in Saudi Arabia are developing pragmatic solutions, based on digital technologies, to transcend such institutional voids and as a result are engaging in institution altering behavior. We argue, that in pursuing digital entrepreneurship and navigating institutional voids, female digital entrepreneurs are enabling transformative change within the wider entrepreneurial economy.

This paper makes a number of theoretical contributions with respect to how digital entrepreneurship develops in the presence of institutional voids and how subsequent entrepreneurial actions facilitate institution altering behavior. First, we contribute to the institutional voids literature by providing new insights into how women in Saudi Arabia, a socially marginalized group, navigate institutional voids and engage in institution altering behavior. Second, we contribute to research on digital entrepreneurship by examining how the online environment facilitates the pursuit of entrepreneurial intentions in emerging economies. This is significant as prior research in the digital entrepreneurship domain predominantly focuses on the experiences of European and North American entrepreneurs (Dy et al., 2017; Namsibian, 2016). Third, we contribute to research on women entrepreneurship by demonstrating the emancipatory potential of digital technology for women doubly constrained by gender biases and a weak institutional framework.

THEORETICAL FRAMEWORK

Institutional Voids

There is a long-observed relationship between levels of institutional and economic development (Chang, 2011; Castellachi, 2015) such that SMEs in emerging and developing economies, seen as catalysts of economic development (Mair et al., 2012), suffer from weak institutional contexts (Khanna and Palepu, 1997; 2000; Lee and Kim, 2009; Mair and Marti, 2009). In such environments, the enactment of laws and regulations is inefficient, corruption and bureaucracy is widespread, educational systems and infrastructures are weak, uncertainty and hence transaction costs are high and business environments are less stabilized by universalistic rules, all of which make entrepreneurial firms particularly vulnerable (Narooz & Child, 2017; Harrison et al., 2017; Silvestre, 2015; Mesquita & Lazzarini, 2008; Peng et al., 2008). From a new institutional economics perspective, the weakness of institutional environments is defined as the absence or lack of enforcement of formal market-based institutions, or institutional voids (a term originally attributable to Khanna and Palepu, 1997), although there is a counter-argument that even in the absense of these formal market-based institutions there is a 'swamp' of informal and non-market institutions which impinge on and constrain entrepreneurial activity (Olthaar et al., 2017). In this paper, we examine the implications of institutional voids for female digital entrepreneurs as they develop and maintain their business.

Digital Entrepreneurship

Digital entrepreneurship has been posited as a "great leveller" (Dy et al., 2016) leading to the 'democratization' of entrepreneurship as entrepreneurs benefit from greater access to ideas, potential customers and necessary resources (Namsibian, 2016). In this paper, we define digital entrepreneurship as 'the pursuit of opportunities based on the use of digital media and other information and communication technologies' (Davidson and Vaast, 2010:2). The incorporation of digital architectures (e.g. online communities and social media) and artifacts (digital components, applications or media content) mean that spatial and temporal boundaries of entrepreneurial activities, when and where activities are carried out, are significantly less constrained and product and service opportunities are constantly evolving (Namsibian, 2016). In addition, the internet attributes of convenience, ease of use, large audience reach, anonymity and interactivity (Case, 2016; Lin et al., 2015; Walther & Boyd, 2002) mean that digital entrepreneurship offers significant potential for those groups who face barriers to engagement in bricks-and-mortar entrepreneurship (Novo-Corti et al., 2014; Shirazi, 2012). Accordingly, digital entrepreneurship is posited to facilitate the engagement of marginalized groups, with one such group being women, as online platforms develop and implement their own social and contractual frameworks that are often independent of local restrictions (Parker et al., 2016; Martin & Wright, 2005).

Institution Altering Behavior

While the entrepreneurial ecosystem approach views entrepreneurship as influenced by the system, it also highlights the importance of entrepreneurs as central players in the creation of the system and for keeping the system healthy (Stam & Spiegel, 2016; McAdam et al., 2018; Isenberg, 2011). Elert and Henrekson (2017) argue that when faced with institutional voids, entrepreneurs can choose to abide with, evade or alter the institutional framework. Digital entrepreneurship, in particular, is likely to give rise to institution evading or institution altering actions as 'technology changes exponentially but social, economic and legal systems change incrementally' (Downes, 2009:2). While evasive entrepreneurship focuses on actions taken to circumvent institutional voids, institutional altering behavior, involves individual or organizations constructing new institutions which may help to promote their organization or field (DiMaggio, 1988; Lawrence et al., 2002). In the context of women in Saudi Arabia, pursuing entrepreneurship entails a fundamental challenge to social and cultural norms, which view women's primary place as being in the home and their primary commitment to the family (Abu-Lughod, 2013; Ahmad, 2011). However, the extent to which digital technology allows women to navigate and alter unsupportive social and cultural practices through their engagement in digital entrepreneurship requires greater attention (Dy et al., 2017). In this paper, we contribute to this gap in understanding by addressing the following research question: How does digital entrepreneurship emerge in the presence of significant institutional voids in the social and cultural context?

METHODOLOGY

In order to answer our research aim, we adopted an interpretive case study methodology. A narrative approach is particularly useful in understanding how aspects of the institutional context, social, political and economic 'interweave and overlap' in both public and private spheres (Haynes, 2006; Marlow & McAdam, 2015). Our approach therefore enabled us to gain a deep insight into how the institutional context impacted women's pursuit of entrepreneurship and how their actions in turn impacted the social and cultural context.

Saudi Arabia was chosen as our research site for a number of reasons. First, Saudi Arabia is an emerging economy, heavily dependent on oil revenues with ambitious plans to diversify the economy away from resource dependency and towards the promotion of new venture growth. Second, given the restrictive social and cultural practices, such as gender segregation and male guardianship, women are likely to be especially impacted by the presence of institutional voids. Third, in order to facilitate new venture growth and increase female participation in the labor force, the government has sought to foster a digital culture and the development of a digital economy. However, there is limited research detailing women's experiences of entrepreneurship in the Saudi Arabian context in general and digital entrepreneurship in particular (Dy et al., 2016).

Data Collection and Analysis

In order to identify female digital entrepreneurs for inclusion in this research, we adopted a purposive sampling strategy (Neergaard & Ulholi, 2007; Pratt, 2009). As such, female entrepreneurs who founded the business on their own or in cooperation with others, responsible for businesses reliant on digital technology, operating a minimum of two years, were interviewed in person during 2016-2017. The questions were semi-structured in nature which ensured that all participants discussed a common set of questions relating to the digital components of the business, use of social networks and family and societal expectations, whilst also ensuring that participants were encouraged to elaborate on specific issues. Thus, data collection developed as a guided account of the participant's experiences, perceptions, choices and actions in relation to digital entrepreneurship in the presence of institutional voids. The interviews were conducted at the respondent's workplace or home, lasted approximately one hour, were audio-recorded and transcribed verbatim. Analysis began by identifying repeated statements and grouping these into provisional categories and first order codes (Strauss & Corbin, 1990). We then engaged in axial coding, focusing on the ways in which these first order categories related to each other, in order to further condense the data into theoretical categories (Locke, 1996; Strauss & Corbin, 1990). In the third stage of analysis, we developed aggregate theoretical dimensions (Corley & Gioia, 2004; Maitlis & Lawrence, 2007).

FINDINGS AND DISCUSSION

Given our alignment with an interpretive, qualitative methodology, the results and discussion are now presented or integrated conjointly as suggested by Yin (2009). The aggregate theoretical dimensions are explored in detail and illustrated with fragments of the narrative or "power quotes" (Pratt, 2009). The findings are then discussed in the context of research on digital entrepreneurship, institutional voids and the emergence and implications of institution altering behavior.

Digital Technology and Gender Boundaries

Social and cultural gender based norms in Saudi Arabia are supported by a legal framework that necessitates government offices to cater for men and women separately (Tlaiss, 2015). As FB explains access to information and required paperwork is then restricted based on gender. "*I wanted to get a form from the Ministry of labor, but they wouldn't allow women to go in there and the women's department couldn't help, because these services are only available in the men's department.*". However, the rapid adoption of digital technology in Saudi Arabia has resulted in much of the necessary information and paperwork now being available online. This is explained by OS, "*Actually, when I started, it was not easy of course*

to apply (for a commercial license) and to get a permit, it was a tough job. Now, they only have to apply online and they receive it within, I think 48 hours or something". Thus, our findings indicate that digital technology can be used by women to transcend the norms of female behavior (Berg, 1997) and at the same time avoid or minimize 'gender trouble' caused by the overt rejection of gendered norms of behavior (Marlow & McAdam, 2015). To the extent that digital entrepreneurship both necessitates and enables the weakening of gender biases, entrepreneurial action provides the building blocks of social change (Calàs, et al., 2009).

Entrepreneurial Networking

Strong networks based on family ties are fundamental to the operation of Saudi Arabian society (Abu Baker et al., 2017). In particular, an individual's Wasta or network capital, which they can create through their own actions or through belonging to a high-status family, may determine their resource access (Mellahi, 2007). However, the growing importance of private enterprise in Saudi Arabian has led to a decrease in the value of Wasta (Hutchings & Weir, 2006). *"It (Wasta) is relevant in the government sector. But here in the private sector your skills are your Wasta. If you have the skills you will be hired, simple as that, so the Wasta thing is not working anymore"* (GX). As a result, the old system of Wasta, which was viewed by our participants as a form of unearned advantage, is being replaced with business oriented, entrepreneurial networking in the private sector. However, notwithstanding widespread gender segregation in Saudi Arabia, male dominated networks were perceived as more beneficial than female-only networks (McAdam et al., 2018). This is summed up by AP - *"We go to networking events but not female events. At female events, sometimes we get the sense that we know more than them. We need someone we can look up to…We attract a lot of attention because we are female. We have met a lot of potential investors, a lot of potential partners, sometimes employees, a lot of opportunities going to these seminars and meetings."* As Marlow and McAdam (2015) argue, in such settings women may become "honorary men" however they are nonetheless defined by their ascribed femininity.

Building Trust in Online Selling

Gao et al. (2017) found that in the presence of institutional voids in emerging markets entrepreneurs must focus on credible signalling of relevant information. Accordingly, social media influencers were deemed influential in developing consumer trust. *"In the beginning, we had to contact social media influencers to promote our site … if there was no Instagram or no snapchat how would we reach people? It would be really difficult. Now you can just contact someone and they have millions of followers and in a second everyone can see you"* (OS). The enhanced market penetration afforded by the internet and social media was therefore critical in increasing the visibility and trustworthiness of the digital businesses, which otherwise might have suffered in a purely offline context due to gendered assumptions, which view entrepreneurship as a largely masculine endeavor (Manolova et al., 2007). In addition, our findings indicate that the reputation building benefits of having a strong online presence can also enhance self-efficacy and self-belief as online selling can provide valuable feedback regarding product/service demand and viability. This is summed up by CC - *"When we launched the machine in 2013 - that's when I knew we had quick growth. The day we launched it, we sold out, we had orders from 8 different countries."*

Transforming Family and Societal Relationships

One of the key strategies used by the women to gain familial support was the telling of stories about their daily successes or "small wins". *"Whenever I have a speech to give I always*

share it with them. To make them feel the success, to make them proud and to believe in FB" (FB). In sharing their success stories with family members and in entering into entrepreneurship, previously the sole preserve of men in Saudi Arabia (Tlaiss, 2015), the women were able to redefine their relationships with family members, especially with their fathers. As CC eloquently explains - *"because it was the first time I spoke his language"*. In addition to transforming family relationships, the women were also seeking to enable societal level changes by acting as role models and inspiring leaders for other women in Saudi Arabia. As GX explains, *"I had no skills and no family connections at all and I was able to do it, if I was able to do it then everybody can do it. So, I hope that I can inspire more people."* This sentiment is echoed by SJ, *"I always like to think that we actually created this opportunity for other Saudi ladies. I am actually very proud of that; I don't feel any competition or anything."*

Entrepreneurial Action and the Socio-Cultural Context

In summary, our analysis demonstrates that in the presence of institutional voids in the social and cultural context, female entrepreneurs may draw on digital technologies to navigate such voids (Elert & Henrekson (2017) and in doing so engage in institution altering behavior by increasing women's legitimacy as entrepreneurs in the Saudi Arabian context. According to Mair et al. (2012), in order for women to benefit from economic development and participate in market transactions, they must first be viewed as legitimate entrepreneurs. In acting as role models and mentors to potential female entrepreneurs in Saudi Arabia, the women are facilitating the diffusion of pro-female entrepreneurial values and patterns of thinking (Kreuger et al., 2013) and thus reducing the sanctions faced by the next generation of female entrepreneurs for deviating from behavioral norms, customs and practices unsupportive of female entrepreneurship (Ahlstrom & Bruton, 2002).

CONCLUSION

Through the provision of these novel findings, we make three key theoretical contributions. First, we contribute to the institutional voids literature by providing new insights into how women in Saudi Arabia, a socially marginalized group, navigate institutional voids in the socio-cultural context and engage in institution altering behavior. Whilst prior research has highlighted the importance of voids in the formal institutional framework - economic, legal and political, significantly less attention has been paid to the impact of informal social and cultural practices on entrepreneurship (Welter, 2011). Second, we contribute to research on digital entrepreneurship by examining how the online environment facilitates the pursuit of entrepreneurial intentions in emerging economies. Our findings demonstrate that digital technology has the potential to provide women with a safe space, where they can flourish and pursue digital entrepreneurship, when the socio-cultural context may be unsupportive. Third, we contribute to research on women's entrepreneurship by demonstrating the emancipatory potential of digital technology for women doubly constrained by gender biases and a weak institutional framework. The transformative potential of digital entrepreneurship is realized when women develop increased self-efficacy, self-belief and act as role models and inspiring leaders for potential female entrepreneurs.

REFERENCES AVAILABLE FROM THE AUTHORS