

**OMT Doctoral Consortium Abstract**

**Starting Small, Looming Large: Institutional Change and New Organizational Practices in the Canadian Wine Industry**

Over the past decade, theorists' perspectives of institutional change within mature organizational fields have shifted from institutionalization to institutional flux. As such, mature fields are no longer seen as "static, but as evolving" (Hoffman, 1999: 353). My research objective is to explore the evolution of the Canadian wine industry. In particular, I would like to focus on change initiated by small, low-status players.

To date, theorists have said little about how existing practices and identities disappear, emerge, and are adopted within mature, stable organizational fields. They have focused either on endogenous forces, such as actors who through the pursuit of distinct interests de-institutionalize institutional forms (DiMaggio, 1988), or on external shocks such as de-regulation which facilitate change within a field (Sine & David, 2003). An in-depth understanding of these processes requires that researchers consider how exogenous and endogenous forces combine to facilitate evolution within a field. For instance, Rao, Monin, and Durand's (2003) study of nouvelle cuisine describes how initiator movements stemming from an anti-authoritarian wave in France in 1968 (exogenous force) caused tensions between traditional logics and the new logics in cognate fields (e.g., literature). They also describe how processes such as theorization of benefits induce actors to abandon old logics and old identities for new ones when powerful actors drive the change.

Further, most studies (e.g., Greenwood, Suddaby, & Hinings, 2002; Rao et al., 2003) to date have focused on prominent players in instigating change while Leblebici, Salancik, Copay, and King's (1991) study was the first to point to low-status players as developers of new practices which were eventually adopted by prominent players facing intense competition.

Studies however, have yet to elaborate on the processes used by low-status players in developing and gaining adoption of new practices within a field, and how the emergence and adoption of new practices affected these low status players' identities.

My dissertation will be divided into three papers. 1) I will look at the emergence and diffusion of the most prominent quality standard within the Canadian wine industry, the Vintners Quality Alliance (VQA). 2) I will look at the emergence and diffusion of wine products (e.g., icewine, varietals). As such, I will consider the processes that move new practices beyond innovation toward legitimization. 3) I will consider the role organizational identity plays in facilitating the evolution of a field and in turn if and how organizations' identities change over time.

**Emergence and Diffusion of New Practices:** I will first explore forces that facilitate the emergence and diffusion of new practices.

***De-Stabilizing Forces:*** DiMaggio (1988) claimed that only entrepreneurs who possess sufficient resources are capable of introducing institutional change. Leblebici et al. (1991) instead revealed that new practices were introduced by small players looking to realize value from their transactions while the dominant players who had vested interests in the institutionalized practices used their resources to maintain the status quo. Further, although he refers to fast-paced fields, Christensen (1997) suggests that prominent players do not pursue disruptive innovations because they are wedded to powerful existing customers' needs. For instance, Seagate decided not to develop 3.5 inch drives just as they were becoming established in the laptop market because IBM showed no interest in the product. Thus, theorists suggest that new practices are more likely to be introduced by small, low-status players.

***Hypothesis 1:*** *New practices in an organizational field are most likely to be introduced by small, low-status players.*

The question also remains as to why small players develop new practices. One reason is to serve niche markets. Niche markets are small, specialized resource areas that consist of non-traditional consumers that demand new and different products. Often times these consumers do not mind paying a higher price for quality. It is thus within these small spaces which are distant from the competitive pressure of prominent players that small players can find viable locations.

***Question 1:*** *Why do small, low-status players develop new practices that deviate from institutionalized ones within a mature field?*

Environmental jolts and changing consumer preferences may also de-stabilize a field. Jolts are perturbations that may take the form of social upheaval, competitive discontinuities, or regulatory change. Jolts and changing consumer preferences may lead field players to identify problems within existing institutions and search for new practices. Jolts and changing consumer preferences may often result in prominent players partnering with peripheral players that offer solutions to institutional problems instigated by the jolt or change (e.g., Sine & David, 2003).

***Question 3:*** *What forces cause prominent players who owe their positions to established institutionalized arrangements to adopt new practices?*

**Re-Stabilizing Forces:** Successful change requires that entrepreneurs convince others of their new practice's value through such processes as theorizing and collective action, in an attempt to diffuse and gain legitimacy of, that practice. First, through theorizing, entrepreneurs can present ideas as not simply a function of anticipated economic outcomes, but of professional appropriateness (e.g., to provide better customer service), making migration to new practices more acceptable in professional arenas (Greenwood et al., 2002). Second, by cooperating with third parties such as professional associations, entrepreneurs may educate and influence these parties of a new practice's value and in turn, include it in their systems (Aldrich & Fiol, 1994).

**Question 4:** *How do low-status players convince other participants within a mature field to accept new practices?*

**Identity:** The role identity plays in facilitating change and how identity in turn is affected by change has fascinated researchers in recent past (e.g., Rao et al., 2003). I will take a field level perspective rather than an organizational level one and consider: 1) how different types of players' (e.g., prominent and fringe) identities influence the evolution of a field; and 2) how the emergence and diffusion of new practices affects these different types of players' identities. First, normative positions within an organizational field "provide the actors that occupy them with institutional interests and opportunities" (Maguire, Hardy, and Lawrence, 2004: 658), which ultimately shape actors' identities. Again, if prominent players are usually defenders of conventional practices because they do not want to risk losing their positions, this suggests that the smaller players will develop practices that deviate from current institutional arrangements.

Second, theorists have said little about how the emergence and diffusion of new practices affect different types of players. For instance, what happens to the fringe players who initiate change and eventually achieve social approval and success; do they adopt prominent players' identities or do they stay the same? The beginnings of the coffee speciality industry can be traced back to small entrepreneurs like Starbucks who did not follow institutional norms, and have not in large part changed their identities despite their large scale growth and success. Furthermore, what happens to the prominent players' identities once a fringe player's practice gains widespread social approval? In the coffee industry, the original prominent players (e.g., Folgers) have adopted some niche practices (e.g., latte mix) but in large part have stuck to their old ways.

**Question 5:** *What role does identity play in facilitating the emergence and diffusion of new practices?*

**Question 6:** *Does the development and adoption of new practices by organizational field players affect that players' identity and if so how?*

**Research Site and Methodology:** The Canadian wine industry is a promising field to study these types of questions. In the mid 1970s, small estate wineries chose not to emulate big wineries that were producing large quantities of poor quality wine; instead they decided to produce premium wines (e.g., icewine and merlot), based on the growing number of Europeans immigrating to Canada. Producing quality wine was not seen as a legitimate practice for the majority of field participants at that time; grape growers did not want to grow European hybrid vines because their own low quality Labrusca grapes had high yields as well as a guarantee of government assistance, should they under sell. In the late 1980s, small estate wineries also created the VQA in response to the Free Trade Agreement (FTA) between Canada and the United States. After FTA was passed, the VQA became endorsed by the Ontario government and gained widespread social approval within the Canadian wine industry. Further, some of the estate wineries such as Inniskillin have now become prominent players in the industry.

My research will start with an exploratory study involving: 1) semi-structured interviews with representatives of various wineries and government agencies; and 2) use of media publications and government databases to source origins of, and mechanisms used to diffuse new practices. This research will help develop hypotheses for subsequent studies and identify theoretical orientations. An event history analysis will also be performed to explore the introduction and growth/decline of practices within the industry. A database dating back to 1953 and includes information on 2,500 North American wineries will be used as a source of data.

**Contributions:** This research will contribute to current literature by offering: 1) a more detailed discussion of how small players develop and achieve widespread adoption of new practices than that provided in past literature (e.g., Leblebici et al., 1991); 2) insights into how niche markets

de-stabilize a stable, mature field; and 3) insights into how and why the emergence and adoption of new practices may affect organizational identity particularly that of small entrepreneurial players in a more systematic manner than that found in the past.

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