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Institutional Entrepreneurship and Legitimacy: A case of Emerging Economies

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DECLARATION

I declare that I solely myself have composed this thesis and it has not been submitted, in whole or in part, in any previous application for a degree. Except where stated otherwise by reference or acknowledgment, the work presented is entirely my own.

Signed:

Dated:

ABSTRACT

This study explores the relationship between institutional entrepreneurship and legitimacy. It looks at how an institutional entrepreneur is able to acquire legitimacy for a novel innovation. The empirical setting is in an emerging economy, because institutions are typically less rigid in emerging economies, and so the likelihood of institutional entrepreneurship occurring is greater, providing more opportunities for experimental observation.

While institutional theorists have devoted considerable attention to institutional entrepreneurship in recent years, there has been little focus on exploring the difference between the institutional entrepreneur's actual creative act and the subsequent need for the entrepreneur to acquire legitimacy for her/his innovation. This study is the first to separate these two components of institutional entrepreneurship. By doing so, the study is then able to investigate three related questions: (1) Is it possible to shed new light on resolving the paradox of embedded agency?, (2) What are the mechanisms of legitimacy acquisition that an institutional entrepreneur uses to get her/his novel idea accepted and approved by the internal and external stakeholders?, and (3) What kind of institutional or ideological preconditions might be necessary for institutional entrepreneurial action to benefit or harm a society in an emerging economy?

The study uses a qualitative case study design research based on systematic combining approach for data collection and analysis. The critical case study is the establishment of the first free trade zone in Dubai, UAE, the Jebel Ali Free Zone (JAFZA). Data was collected from 18 semi-structured interviews and several secondary resources detailing the establishment of JAFZA; and analyzed using thematic analysis to explain how the institutional innovation of JAFZA was received and accepted in a society. JAFZA has subsequently gone on to become the core business of the hugely successful DP World group.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

RBV – Resource-Based View
IBV – Industry-Based View
I.E – Institutional Entrepreneur
UAE – United Arab Emirates
JAFZA – Jebel Ali Free Zone
FZ – Free Zone
FTZ – Free Trade Zone
EPZ – Export Processing Zone
FDI – Foreign Direct Investment
SEZ – Special Economic Zone
NV – New Ventures
R&D – Research and Development
CSR – Corporate Social Responsibility
EIA – Energy Information Administration
NV – New Ventures
NP – Nurse Practitioners

Chapter 1: Introduction

This study investigates the relationship between institutional entrepreneurship and legitimacy in an emerging economy context, an area that is still under-researched. It looks at how an institutional entrepreneur is able to acquire legitimacy for a novel innovation, with an aim of comprehending the legitimacy acquisition process to a greater degree. Moreover, little has been said about exploring the difference between the institutional entrepreneur's actual creative act and the subsequent need for the entrepreneur to acquire legitimacy for her/his innovation. By separating these two components of institutional entrepreneurship, this study unlocks the paradox of embedded agency. In doing so, the research also looks at an institutional entrepreneurial action being detrimental or beneficial to a society from Baumol's productive, unproductive and destructive entrepreneurship perspective.

This chapter provides a synopsis of the study. Section 1.1 defines the key concepts used throughout in this study. Section 1.2 presents the rationale of the study, followed by research gaps and questions in Section 1.3. Section 1.4 briefly outlines the adopted research design and methodology, and finally, Section 1.5 concludes with the structure of the thesis.

1.1 Key Concepts Used in the Study

The key concepts defined briefly here will be used throughout in the study. A more detailed description of these concepts will be presented in the subsequent chapters in terms of how they are being adopted for the current research.

Institutions

> Institutions are defined as *'the rules of the game'* (North, 1990, p. 3). North distinguished them into '*informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)' … Institutions provide the incentive structure of an economy; as that structure evolves, it shapes the direction of economic change towards growth, stagnation, or decline'* (1991, p. 97). Institutions are said to provide guidance to human behaviour and basis for the social interactions, giving meaning and sense to the thoughts and beliefs of the individuals (Scott, 2008).

For the purpose of the current study, I refer to only formal institutions when a mention of weak and unstable institutions regarding emerging economies is made[1]. Additionally, the terms institutions, structures, arrangements and patterns will be used interchangeably throughout the study.

Institutional Entrepreneurship

The phenomenon institutional entrepreneurship refers to the '*activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones*' (Maguire, Hardy and Lawrence, 2004, p. 657). In other words, institutional entrepreneurs are change-agents who are responsible for either altering or modifying the institutional structure (social, cultural and political) of an economy (DiMaggio, 1988).

Entrepreneurship

The notion entrepreneurship refers to the process of '*discovery, evaluation, and exploitation of future goods and services*' (Eckhardt and Shane, p. 336), bringing new outcomes and new possibilities in a society. It is generally associated with new venture establishment having a positive impact on the net output of an economy.

The concepts of institutional entrepreneurship and entrepreneurship overlap with each other. However, there exists a clear distinction that institutional entrepreneurship does not require a venture to be established and may not be utilized for wealth maximization while creating a divergence from prevailing institutions. And entrepreneurship requires venture creation and does not involve an institutional action (Battilana, Leca and Boxenbaum, 2009).

Emerging Economy

Broadly defined, an emerging economy is one that is embarking on reformed institutional structures with an aim to improve its economic status to a level

[1] Some countries like Afghanistan can have very stable informal structures that are part of its institutional structure and people's day-to-day life.

comparable to world's advanced nations, which theorists usually term as developed countries or mature markets. These countries are usually called as emerging economies due to their slow or non-existent developments and institutional reforms status. Emerging economies are typically described as *'low-income, rapid-growth countries using liberalization as their primary engine of growth*' (Hoskisson et al., 2000, p. 249). However, vast differences are found between these countries in terms of size, population, institutional structure, GDP growth, etc. indicating that not all emerging markets are same (Sensoy et al., 2016).

The empirical case study is located in Dubai, which has become a high-income economy in the past twenty years (The Economist, 2017). But the empirical case focused on here occurred in 1980s, when United Arab Emirates (UAE[2]) was still in its infancy after independence in 1971. The citizens of Dubai would say that their nation was struggling in the 1970s and 1980s. For this reason, Dubai is considered as an emerging economy (See Section 2.3.1).

Legitimacy

Legitimacy is defined as, '*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*' (Suchman, 1995, p. 20). Various legitimacy typologies are mentioned in the literature, classified into types and strategies (Aldrich and Fiol, 1994; Suchman, 1995; Zimmerman and Zeitz, 2002).

For the purpose of the study, the term 'mechanisms' is adopted instead of types and strategies. It refers to various tools and methods that organizations use to gain legitimacy.

1.2 Rationale of the Study

In recent years, the notion of institutional entrepreneurship[3] has been receiving much attention by the institutional theorists. The concept of institutional entrepreneurship

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[2] Dubai is one of the seven emirates in United Arab Emirates (UAE).
[3] Between 1980 and 2018 (search performed on 8th of July 2018), the ABI/INFORM Complete

emerged as a way to explain an endogenous change (as well as exogenous change) in an institutional structure. Earlier a change in institutional structure was believed to be '*caused by exogenous shocks that challenged existing institutions in a field of activity*' (Leca, Battilana, and Boxenbaum, 2008, p. 3). Though structural change initiated by actor's agency was hinted at in early institutional studies (Selznick, 1949; 1957, cited in Selznick, 1996) but Eisenstadt (1980) was the first to conceptualize the notion of institutional entrepreneurship. And later DiMaggio (1988) reinstituted it back in the literature with an aim to explain how actors shape institutions and bring change into existing structures when they see *'an opportunity to realize interest that they value highly'* (p. 14).

The concept of institutional entrepreneurship provided an explanation how an institutional change occurs and how actors are able to bring change into existing structures and replace it with new or altered arrangements. Actors were considered earlier as over-socialized actors or *'cultural dopes trapped by institutional arrangements'* (Lawrence, Suddaby and Leca, 2009, p. 1), responsible for reproducing institutions guided only by the structures. But institutional entrepreneurship *'offers a counterpoint to alternative conceptualization of actors as 'passive dopes', who are overwhelmed and constrained by and thus succumb to, institutional forces without hope of overthrowing or even changing them'* (Raffaelli and Glynn 2015, p. 408).

However, institutional entrepreneurship even though being able to provide justification how actors are able to change the institutions, was critiqued that how actors can alter or modify existing institutional structures when these institutions themselves are the guiding force behind their social interaction and behaviour. This discrepancy *'alludes to the classical debate on structure versus agency, which implies that actors are somehow able to disengage from their social context and act strategically to change it'* (Leca, Battilana, and Boxenbaum, 2008, p. 4), also known as 'paradox of embedded agency' (Holm, 1995; Seo and Creed, 2002). Consequently, this paradox of embedded agency can be defined as

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database contained altogether 304 records regarding institutional entrepreneurship (based on 'institutional entrepreneur*', 'anywhere' and 'abstract' search criteria). Whilst in the first three decades of the above-mentioned period (between 1980 and 2010) the records amounted only to 114 while the rest 190 in the last 8 years (2011-2018).

'if actors are embedded in an institutional field and subject to regulative, normative and cognitive processes that structure their cognitions, define their interests and produce their identities, how are they able to envision new practices and then subsequently get others to adopt them?' (Garud, Hardy and Maguire, 2007, p. 961).

Both agency and structure perspectives explain institutional change with unilateral focus on either agency or structure while overlooking the other. Although institutional entrepreneurship is a compelling way to explain institutional change guided by the actors but one-sided focus on agency over structure do not the solve the issue as it takes us back to the paradox of the embedded agency (Garud, Hardy and Maguire, 2007). This theoretical puzzle has been explained from various perspectives[4] in trying to resolve this issue but still no clear resolution exists. Therefore, the challenge for institutional entrepreneurship theory is to find a way to *'travel the difficult road that passes between a rational choice model of agency on one side and structural determinism on the other'* (Battilana, Leca and Boxenbaum, 2009, p. 73).

Nevertheless, institutional entrepreneurs with sufficient resources come into existence when they face weak and unstable structures, and act on an opportunity that corresponds to their interests. They create new structures to promote their organization, a product or a field that in turn shape the on-going patterns of interaction and a change in an existing institutional structure occurs. Subsequently, any such institutional entrepreneurial activity enacted either by individuals, established firms or new ventures with these potential reformed structures and patterns has to go through a scrutiny which make these new patterns get accepted by masses – known as legitimacy, and hence successful or vice versa. Legitimacy is a perception, which makes entrepreneurs and their activities more trustworthy and reliable in the eyes of the society and stakeholders; and allows them to acquire resources when they align their (institutional) entrepreneurial act values and policies with the wider institutional context (Suchman, 1995). In other words, an institutional entrepreneurial activity would be optimized when legitimacy with all the concerned stakeholders is achieved (Mckague, 2011). It infers; a venture is likely to be viewed as more meaningful, predictable and trustworthy when perceived as legitimate (Suchman, 1995).

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[4] Perspectives discussed in Chapter 2: Literature Review.

Securing legitimacy for any such institutional entrepreneurial activity would make it successful and have the implication of getting an institutional structure altered. In other words, the rules of the game will be altered; otherwise an institutional entrepreneurial act, which has been unsuccessful to achieve legitimacy from its stakeholders or a society at large, would be deemed as a failed institutional entrepreneurial attempt. An organization might have to bear the consequences if it fails to deliver what it assured to the stakeholders (or people) at the beginning of the venture. That might lead to difficulty in surviving or losing its legitimacy completely especially if it is a newly established venture. It holds true even for organizations that are already established and perceived as legitimate. Established organizations with legitimacy previously acquired might also have to struggle to regain legitimacy if they happen to lose it due to any reason. It implies that the process of gaining, maintaining and repairing legitimacy is an on-going activity that changes dynamically, and organizations have to continuously put efforts to sustain it.

Several legitimacy typologies (Aldrich and Fiol, 1994; Suchman, 1995; Zimmerman and Zeitz, 2002) have been discussed in the literature that looks at various techniques that organizations (established or new ventures) use to gain legitimacy. These legitimacy typologies have been differentiated into types and strategies. For example, Suchman (1995) have strategies down as gain, maintain and repair, and types as pragmatic, moral and cognitive. While Zimmerman and Zeitz (2002) have strategies labelled as conformance, selection, manipulation and creation, and types as socio-political regulatory, socio-political normative and cognitive. These types and strategies are comparable and refer to almost same meanings, but the authors have used different terminologies to express the purpose. Which might lead to confusion when these types and strategies have to be operationalized empirically into a single approach.

Most of the studies look at the notion of legitimacy from a perspective of either established or new ventures in developed economies, as Zimmerman and Zeitz (2002) argues, *'further development of the concept [legitimacy] of institutional entrepreneurship is desirable'* (p. 428). A need to study legitimacy acquisition process of an institutional entrepreneurial action, in particular, in an emerging economy context is rather underexplored.

Moreover, the emerging economies have less developed government and regulatory infrastructures. Also, at a fundamental level, these infrastructures are only marginally developed such that transparency, market regulation, accounting standards, corporate governance, and intellectual property protection, etc. may not be as established as those in more developed nations. In such circumstances, corruption and opportunistic behaviour may become challenging if actors acting as institutional entrepreneurs seize authority or economic resources to bend the rules of the game in such a way that the participants rather than a society reap the benefits of such an entrepreneurial action. Therefore, the likelihood of institutional entrepreneurship occurring is greater in such circumstances, providing more opportunities for experimental observation.

The rapidly increasing literature and growing interest among researchers both in institutional entrepreneurship (Greenwood, Suddaby and Hinings, 2002; Tracey, Phillips and Jarvis, 2011; Lakshman and Akhter, 2015; Hu et al., 2016) and emerging economies (Peng, Wang and Jiang, 2008; Tracey and Phillips, 2011) supports the opinion of Laksman and Akhter (2015), *'despite advances in the institutional entrepreneurship literature (e.g., DiMaggio 1988), our understanding of the dynamics of institutional change is in its infancy'* (p. 160). It calls for further research to better understand the phenomenon of institutional entrepreneurship.

1.3 Research Gap and Research Questions

The main objective of the research is to explore the relationship between institutional entrepreneurship and legitimacy, in terms of providing insights into legitimacy acquisition process of a novel innovation. In line with the research gaps identified in the literature reviewed in this study, this research asks the following research questions with an aim to contribute to theory and further research.

Firstly, the notion of institutional entrepreneurship is criticized for giving more power to agency over structure that how actors can alter or change an institutional structure when the same institutions guide actor's behaviour. This debate of agency verses structure is known as paradox of embedded agency. The literature provides several explanations to resolve the paradox of embedded agency, but no clear argument exists. This study attempts to resolve this paradox of embedded agency by unlocking the process of institutional entrepreneurship into its two constituents –'innovation' and 'legitimacy acquisition', asking

Research Question 1 – Resolvable: Paradox of Embedded Agency

Is it possible to shed new light on resolving the paradox of embedded agency?

Secondly, the research looks at the legitimacy acquisition process of an institutional entrepreneurial activity. The literature has explored the concept of legitimacy within the field of institutional entrepreneurship, but it is rather an under-researched area and no clear and explicit understanding of legitimacy acquisition process exists for a novel innovation. Furthermore, the scholars seem to use various legitimacy types and strategies with overlapping names and meanings that might create confusion when it is analyzed empirically. So, this research aims to focus on identifying legitimacy mechanisms that an institutional entrepreneur uses to acquire legitimacy, asking

Research Question 2 – Mechanisms to Acquire Legitimacy

What are the mechanisms of legitimacy that an institutional entrepreneur uses to get her/his novel idea accepted and approved by the internal and external stakeholders?

Thirdly, the concept of institutional entrepreneurship in emerging economies holds a great significance. The emerging economies have relatively not fully established institutions in contrast to developed economies. A proposed institutional change in such economies can become operational rather easily as the procedures set in place might not be efficient to judge the viability and credibility of the proposed change; such an activity might be productive or unproductive/destructive to a wider society. So, there is a slightly greater chance of an institutional entrepreneurial activity getting approved and accepted in emerging economies by the stakeholders and the population eventually. Therefore, the study aims to look at an institutional entrepreneurial activity from Baumol’s notion of productive and unproductive/destructive entrepreneurship, asking

Research Question 3 – Baumol: Productive, Unproductive or Destructive Entrepreneurship

What kind of institutional or ideological preconditions might be necessary for institutional entrepreneurial action to benefit or harm society in an emerging economy?

This research seeks to contribute to the understanding of institutional entrepreneurship field with insights from an emerging economy context. It further hopes to stimulate research on paradox of embedded agency, legitimacy acquisition process, and productive and unproductive/destructive entrepreneurship perspectives.

1.4 Research Design and Methods

This research seeks for better understanding of institutional entrepreneurship phenomenon by unlocking it into its two separate components – *creative act* [of institutional entrepreneur] and *legitimacy* [acquired for that creative act]. In doing so, the study investigates, how an institutional entrepreneur is able to acquire legitimacy for her/his novel innovation, and what kind of institutional conditions might make an institutional entrepreneurial action detrimental or beneficial to a society. Since little is known about how institutional entrepreneurial acts *'come to be viewed as legitimate'* (Bruton, Ahlstrom and Li, 2010, p. 433), in particular in an emerging economy, this qualitative study adopts an exploratory stance based on an interpretive paradigm (Leitch, Hill, and Harrison, 2010).

The study employs a single case study design to explore the phenomenon based on systematic combining approach (Dubois and Gadde, 2002). The research setting was a first free zone JAFZA in an emerging economy Dubai – UAE where the process of establishment of JAFZA was investigated. It is a unique case and required deeper understanding of the phenomenon and the context that strengthens the argument for an in-depth single-case study design. The study follows a systematic combining approach based on non-linear abductive reasoning (more emphasis on inductive than deductive); since the study required *'constantly going back and forth from one type of research activity to another and between empirical observations and theory'* (Dubois and Gadde, 2002, p. 555) to build and analyze the conceptual framework, with an aim of theory development rather than theory building.

This study employs in-depth qualitative semi-structured and open-ended interviews, a method typically used in the case study research (Myers and Newman, 2007; Yin, 2009). The process of planning and carrying out the qualitative interviewing was done in four steps: (i) identifying the research questions; (ii) forming the interview guide; (iii) sampling participants; and (iv) conducting the interviews, as suggested by Cassell and Symon (1994). The interviews were carried out in the participants' offices in two rounds (1st round – 2016 and 2nd round – 2017)[5] where 1st round participants represented JAFZA management officials, and 2nd round participants represented JAFZA companies with a presence in the free zone, totaling 18 interviews. The interviews ranged from 45 to 60 minutes in length and were audio-recorded and transcribed. Additionally, I used several other data sources that included archives, Internet sources, personal correspondence, etc. as data triangulation techniques to reduce discrepancies within data.

The study employed purposive sampling to identify the participants and companies because they carried the required information and knowledge about the phenomenon studied (Rubin and Rubin, 2005). Particularly, purposive sampling in a form of snowball sampling and criterion sampling was adopted, which is a widely used technique in qualitative research for identification and selection of information-rich cases (Patton, 2002). In addition to participants' selection, the willingness of the participants to be involved in the study was also taken into consideration (Bernard 2002). In line with these considerations, the JAFZA management and companies' participants were approached. The management participants either worked at JAFZA (a Dubai government body) or another government entity associated with JAFZA and were taken as government officials. And the companies used for this study had their either regional or stand-alone offices in the Jebel Ali free zone. The selected companies represented different stages of JAFZA's 30 years of evolution journey. This constituted the criteria for selecting and approaching the participants who were both willing and information-rich in terms of reflecting on their knowledge and understanding of the establishment and evolution process of JAFZA. While the legitimacy acquisition process of a novel innovation in an emerging economy was a starting point in understanding the phenomenon better, it later opened up the debate to resolve the paradox of embedded agency.

[5] Interviews for both JAFZA management participants and JAFZA companies took place in Dubai at JAFZA headquarters and their free zone offices respectively.

The data analysis process for the study was performed with an aim of theory development rather than theory building (Dubois and Gadde, 2002). The data analysis software MAXQDA was used to analyze the qualitative data, and to establish a chain of evidence. Analysis was done first by recounting the JAFZA story as told by the participants and using other data sources, followed by thematic analysis, and writing individual descriptions of the themes that served the purpose to study the phenomenon. The findings were then interpreted and reviewed in pursuit of final discussion and theoretical contributions.

Several ways were adopted to reinforce the quality of the research design (Patton, 2002). Data triangulation (multiple sources of data) and informant triangulation (multiple informants) were used as triangulation tactics to satisfy the construct validity. The reliability, validity and limitations of the study were also carefully addressed. Ethical considerations were taken into account with regard to the participants and the organization involved throughout this research.

1.5 Structure of the Thesis

The current chapter so far has broadly introduced the topic of the research and some key concepts; drew attention to the existing literature on institutional entrepreneurship, legitimacy, and emerging economies; stated the research gaps and research questions followed by the research design and methods. Lastly it outlines the organization of the thesis below.

Chapter 2 – Literature Review introduces the theoretical foundations of study by reviewing literature on institutional entrepreneurship and legitimacy mainly and situates the research within the extant body of knowledge by identifying the main concepts and theories significant for the research problem. It highlights the research gaps that underscore the research questions investigating the relationship between institutional entrepreneurship and legitimacy.

Chapter 3 – Methodology explains the research philosophy and research design adopted for the study. The data collection and data analysis procedures are reported. Lastly, issues about research quality and ethical considerations are discussed.

Chapter 4 – Conceptual Framework presents the ‘road-map’ to guide this research study.

It reviews the key concepts, theories and frameworks relevant to the research problem. And develops the conceptual framework for the study that investigates how an institutional entrepreneur acquires legitimacy for a novel innovation in an emerging economy.

Chapter 5 – History of Dubai gives a brief account of establishment of Dubai, United Arab Emirates (UAE) – one of the seven emirates in UAE since the main empirical setting, Jebel Ali Free Zone (JAFZA), considered for the study exists in Dubai. It provides insights on political, legal, economic and socio-cultural norms prevalent in UAE, and in particular, Dubai so that it helps to understand the context of the empirical setting.

Chapter 6 – Findings report the results arising from the application of conceptual framework developed for the thesis. The data is organized first into a narrative account of JAFZA and then themes derived from the data are discussed individually.

Chapter 7 – Discussion and Conclusion provide detailed analysis of empirical findings by addressing the theoretical findings followed by theoretical contributions of the study. And lastly, the limitations of the study and suggestions for further research are presented.

Chapter 2: Literature Review

This chapter reviews extant literature on institutions, entrepreneurship and organizational legitimacy mainly, setting the context for the current study and identifying the main concepts and theories significant for the research problem. It draws essentially on institutional entrepreneurship and legitimacy literature, positioning the research within these two related literature streams and focusing on the scope of the research topic. As outlined in the previous chapter (Chapter 1: Introduction), this research explores the relationship between institutional entrepreneurship and legitimacy. It decouples the elements – institutional innovation and legitimacy acquisition – of institutional entrepreneurship that the literature has seemed to conflate together when theorizing the role of agency and structure. Further, it examines how an institutional entrepreneur is able to acquire legitimacy for a novel innovation that might be beneficial or detrimental to a society.

This chapter is structured as follows. Section 2.1 outlines the theoretical point of departure for this study. Section 2.2 reviews the literature on entrepreneurship, productive and unproductive/destructive entrepreneurship and finally dealing with entrepreneurship and institutions together. Section 2.3 defines the concept of emerging economies and their institutional challenges, followed by a brief overview about the economic significance of free zones in an institutional structure in Section 2.3.1, as the empirical focus of the study is a free zone in an emerging economy Section 2.4 gives an overview of the concepts involved in institutional entrepreneurship literature that how a change agent is able to alter the institutional structure of an economy. Section 2.5 describes the concept of legitimacy shedding light on its different perspectives and its typology. Section 2.6 presents the purpose of the research by integrating fragmented parts into a combined approach providing an initial theoretical base to the study.

2.1 Theoretical Point of Departure

One of the most interesting and thought-provoking economic phenomena in today’s world is the rapid growth of emerging economies in Asia, Africa, Latin America and the Middle East. The scholars especially in strategic management field are trying to identify the factors and patterns pertaining to their rapid economic development. Though, the notion of globalization has linked the markets to each other whether smooth or volatile, there are still comparable differences in the economic structure between the developed and emerging countries which points to the fact that there are different forces at play other than the resources (RBV)[6] and industries (IBV)[7] typically used as an indicator for economic growth of the countries. This disparity has resulted in making scholars focus more on the institution interactions, claiming that these should not be taken as for-granted structures as institutions matter and might provide an explanation to these economic differences between developed and emerging economies.

However, two most important driving forces have been identified for the growth of emerging economies. First, economic reforms have been aimed at changing the prevailing laws, regulations, and rules governing economic activities to become at par with the developed countries standards. Second, all these countries have seen a considerable number of new economic activities which makes entrepreneurship a very valid reason for their economic growth.

In the domain of entrepreneurship in emerging economies, the concept of institutional entrepreneurship holds a very significant role which not only make these actors play the role of traditional entrepreneurs in the Schumpeterian sense, but also establish new market institutions in the process of establishing their business activities. Institutional entrepreneurs tend to come across more risks as compared to traditional entrepreneurs since they are focused on changing the existing institutions with unpredictable outcomes. In doing so, institutional entrepreneurs face the challenging task of gaining *legitimacy* for their entrepreneurial activities to make it more convincing and acceptable in the eyes of the society. As a result, successful and effective institutional entrepreneurs in contrast to traditional entrepreneurs generate more significant, positive externalities for the economy and constitute an important force of economic development and reform. Figure 2.1 below shows the positioning of the research problem.

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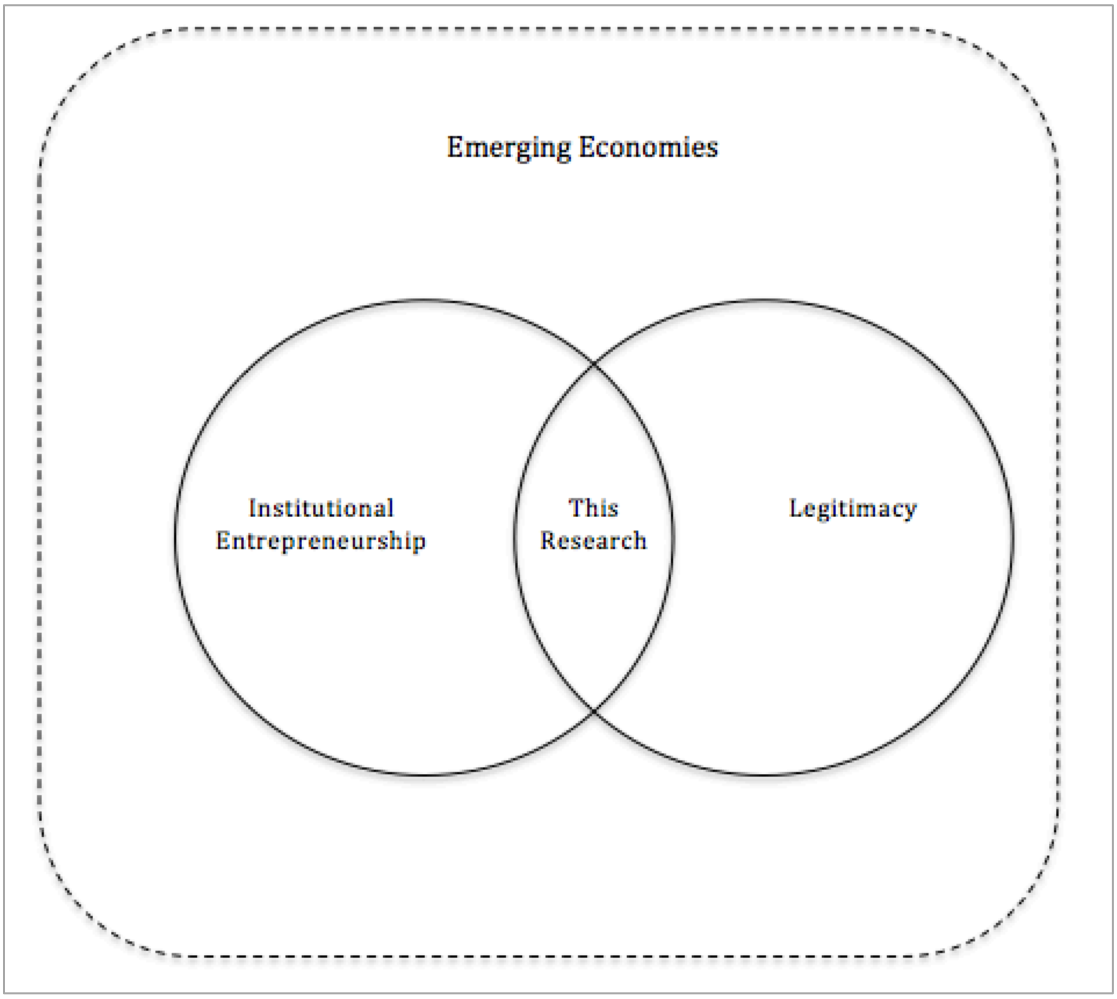
[6] Resource – based view (Barney, 1991)
[7] Industry – based view (Porter, 1980)

Figure 2.1: Positioning of the Study



The following sections will contribute towards the concept of institutions and entrepreneurship, emerging economies and institutional entrepreneurship, and legitimacy mainly. Also, briefly dealing with the concept of free zones focusing on its significance in an economic success of nations.

2.2 Schumpeter's Entrepreneur

The research on entrepreneurship has evolved rapidly in the recent years. Different schools of thought within several disciplines ranging from economics, psychology, history, sociology, management, business history, strategy and finance, etc. have studied it from various perspectives and approaches (Carlsson et al., 2013). But one of the most seminal works done, which stands out is by an earliest influencer Schumpeter who developed a new economic theory based on change. He emphasized on the role of an entrepreneur in economic development. Schumpeter placed the entrepreneur at the centre of an economic activity in his book *The Theory of Economic Development* in the 20th century by making an entrepreneur the most significant person in the economic development process; however, the focus later changed from an achievement of a single entrepreneur to innovative activities of organizations, referred also as creative destruction. Schumpeter (1934) defined an entrepreneurial activity as, (i) an introduction of new goods, (ii) new production techniques, (iii) opening of new markets, (iv) new sources of supply and (v) new ways to organize. Hence, an entrepreneur or an entrepreneurial organization is an entity involved in the economic growth by creating innovations or designing untried technological possibilities; and these new technological forms produce disruption by either reforming or revolutionizing the existing patterns.

2.2.1 Definition of Entrepreneurship

A variety of definitions of ‘entrepreneur’ and ‘entrepreneurship’ are found since entrepreneurship is a multi-disciplinary field; entrepreneurial activities have been examined from different perspectives (creation of new economic activities (Davidsson, Delmar and Wiklund, 2006), innovation (Santarelli and Vivarelli, 2007), entrepreneurial opportunities (Bosma and Levie 2010) and organizational and contextual conditions (Veciana and Urbano 2008; Aparicio, Urbano, and Audretsch 2016), employing different levels of analysis and methods (Carlsson et al., 2013). However, there is a general consensus that entrepreneurship is a driver for economic development and growth (Carlsson et al., 2009; Baumol and Strom, 2007; Acs, Autio, and Szerb, 2014), largely achieved through employment, innovation and welfare effects.

In a nutshell, Carlsson (2013, p. 914) describes the entrepreneurship domain involving different facets and aspects of an entrepreneurial activity, ranging from individuals to organizations as, *‘Entrepreneurship refers primarily to an economic function that is carried out by individuals, entrepreneurs, acting independently or within organizations, to perceive and create new opportunities and to introduce their ideas into the market, under uncertainty, by making decisions about location, product design, resource use, institutions, and reward systems. The entrepreneurial activity and the entrepreneurial ventures are influenced by the socioeconomic environment and result ultimately in economic growth and human welfare’.*

Following Schumpeter's definition of an entrepreneur, the economies can be on a track of economic prosperity if entrepreneurial activities are allowed to flourish in such contexts. However, there are considerable differences found in the economic development between developed and emerging countries. It can be inferred that emerging economies might not have a large number of entrepreneurial activities stagnating their growth.

Research indicates that the impact of entrepreneurship on economic development and growth between developed and developing countries depends on the stage of economic development of a country (Wong, Ho and Autio, 2005; Avnimelech, Zelekha and Sharabi, 2014; Marcotte, 2014). A recent study found that entrepreneurial activity was negatively related to the economic development in middle/low-income countries whereas a positive effect of entrepreneurial attitudes was observed in high-income countries (Doran, McCarthy and O'Conner, 2018). However, it cannot be taken as a definite indicator. As some studies have noted the positive effect of entrepreneurship in developed economies as compared to developing economies (Sternberg and Wennekers, 2005; Van Stel, Carree and Thurik, 2005) whilst others found entrepreneurship more impactful in developing countries as compared to more advanced nations (Stam et al., 2011).

It can be argued then, the idea of creative destruction would be more applicable to developed economies rather than developing economies. Because developing economies do not have that many resources to try out new innovations and untried technological combinations which is why, research and development activities and scientific experiments are still more concentrated in developed economies than developing economies (Szirmai, 2008; 2011). However, these innovations if adopted by the developing economies depending on their absorptive and adaptive capabilities could result in their rapid economic growth (Szirmai 2008; 2011), contingent on innovations being productive activities.

2.2.2 Productive, Unproductive or Destructive

Entrepreneurship does not always amount to economic development and growth; there could be a darker and unrewarding side to it. Baumol (1990) in his article 'Entrepreneurship: Productive, Unproductive, and Destructive' stated that profit generation is the main purpose of the firm. He argues; entrepreneurship is not always about innovation and doing 'good'. An entrepreneurial activity should be examined in its entirety as it can also act as a parasite on the economy. Baumol (1990) extending the definition of Schumpeter's entrepreneur makes use of the concept of underlying determinants for allocation of entrepreneurial activities. He says that if entrepreneurial activities such as innovation or rent-seeking are considered then it might be realized that it is the prevailing rules of the games, among other variables, at any given time and space which influences the behaviour of entrepreneurs in allocation of productive or unproductive/destructive entrepreneurship. In other words, the direction in which these activities move highly depend on the reward structure of the economy. If the relative payoffs of productive activities in a society are more than productive activities will be seen or if unproductive/destructive activities are rewarded more than unproductive/destructive activities will surface. It implies that policy and regulatory environment can have a strong impact on the allocation of entrepreneurial activities (Baumol, 1990, p. 3) along with other contextual (e.g. commitment to project, morals and culture) elements (Boettke and Piano, 2016).

Baumol deals with how institutions and the society payoff structure affect the distribution of entrepreneurial activities into productive and unproductive entrepreneurship (including destructive activities as well). Even though he favoured the fact that the institutional environment, which promotes entrepreneurship, is a fundamental element of economic development. Baumol also claimed that the factors of production (knowledge, human or physical capital) are important for economic growth but they alone are not sufficient unless they are combined in an efficient way to generate profit. Because many centrally planned economies and third world countries did not flourish much despite of investing in physical capital or human capital. This points to the fact that the institutional context might be a significant factor that can contribute in explanation of the growth or decline of entrepreneurial activities. It means that the effect of an institutional environment is twofold; where it creates window of opportunity for the economies, at the same time, it can be restraining for some entrepreneurial activities (Aldrich and Fiol, 1994). Robinson and Acemoglu (2012) conclusively showed through an array of historical examples that the success or failure of nations is dependent on political and economic institutions. And the difference in these arrangements results in differences between institutional trajectories of nations. If the nations fail to adopt the right pro-growth economic and political institutions, they are more likely to fail and bear the consequences. Clark and Lee (2006) and Sobel (2008) shares the same view that policy makers should investigate and focus on reforming of institutions to create an environment that flourishes (productive) entrepreneurship since these institutional structures can either boost or constrain entrepreneurial activities.

2.2.3 Entrepreneurship and Institutions

As aforementioned, the orientation of entrepreneurial activities varies across countries (Autio, 2007). The environment shaping the institutions impacts the dynamics of entrepreneurship as the institutional context has proved to be one of the factors that either inhibits or enhances an entrepreneurial activity. In other words, the nature and level of entrepreneurship in any given country is dependent on the institutional context and stage of economic development. It implies that the institutional structure in which the entrepreneur functions cannot be neglected. Therefore, the nexus of entrepreneurship and institutions becomes crucial to understand the varying entrepreneurial activities across countries and regions, as it provides insights into economic differences observed between developed and developing countries.

Several definitions of institutions have been proposed by a number of theorists. Even though there is a wide literature available on institutions from different disciplines but as such there is no one set definition (Keman, 1997, p. 1). However, two major disciplines in social sciences, economists and sociologists, view institutions from slightly different perspectives. Economists usually follow the definition given by North (Williamson 1985; North, 1990). According to North (1990, p. 97), institutions are '*humanly devised constraints that structure political, legal, societal interaction*.' He classified institutions into formal and informal structures where formal structure refers to laws, rules and regulations and the informal structure refers to norms, values and beliefs. And sociologists generally follow Scott's (1995, p. 33) definition who defines institutions as, '*cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior [...] Institutions by definition connote stability but are subject to change processes, both incremental and discontinuous*'. He asserted that institutionalization is a social process that is dynamic and can change or alter if influenced by cultural or social influences.

Evident from North's definition that focuses more on efficiency, economists tend to focus on the constraints according to which individuals are either prohibited or permitted to undertake some specific actions or limiting the choice set of individuals in particular conditions. The arrangement of institutions provides stability to the context by channelling society/human behaviour in a certain direction that stimulates efficiency and reduces ambiguity. Whereas sociologists focus more on legitimacy, they seem to view institutions as the rules and norms that guide legitimate behaviour or see them as guiding human behaviour to gain societal acceptance. The institutions provide stability but have a tendency to change if any social, political, cultural factors influence the prevailing institutional structures to alter it either partially or entirely (Friel, 2017). The economic perspective does not seem to consider legitimacy explicitly but a firm or an organization being successful in the market suggests that it conformed to the institutional arrangements. Hence, it can be inferred that economic perspective also considers legitimacy but rather implicitly.

Both these views complement each other and draw their results from formal and informal structure. Consequently, an institutional framework is defined by Davis and North (1970, p. 6) as '*the set of fundamental political, social, and legal ground rules that establishes the basis for production, exchange, and distribution*' in any society.

Institutions provide a platform to interact with the organizations as these institutional frameworks provide strategic choices that are deemed acceptable and appropriate and help to reduce uncertainty and fuzziness in the environment. Strategy is formulating a balanced and rational choice with regard to the environment. The decision makers in any firm or an organization make choices, which are a reflection of formal and informal constraints of the given institutional arrangement (Oliver, 1997), however, not much information is available on the linkages between strategic choices and institutional frameworks. Even though these strategic choices have been featured in the literature with a focus on developed economies, for example, with market variables such as market-demand or technological change but a market-based institutional framework was taken for-granted. So, there is a need is to explore the dynamic interaction between institutions, organizations and strategic choices, which are the outcome of interaction between institutions and organizations. As these institutional structures are able to influence the firms in developed economies in going in a particular direction while restricting them going in a different direction (Peng and Heath, 1996).

The institution-based view given by Michael Peng tackles the above dilemma. Since the strategy scholars have recently realized the importance of institutions, its been noticed so far that informal constraints come into play to reduce uncertainty when formal structures are less stable, which is the basis of Peng's institution-based view (Peng, 2000, 2002). He argues, institutions matter and should not be taken as background conditions or for-granted systems as no firm can escape the institutional framework in which it is embedded (Peng, Wang and Jiang, 2008; Garrido et al., 2014). The institution-based view explains the dynamic interaction between organizations and institutions while considering strategic choice as the outcome of such an interaction (Peng, 2003; Peng, 2006). Several other scholars (Carney, 2005; Bruton, Dess and Janney, 2007; Hill, 2007; Lee and Oh, 2007) have also explored the link between organizations and institutions with strategic choices being an outcome, implying that institutions matter and should be considered along with industry and firm capabilities.

Peng (2002) considers the institutions as the third leg of strategy tripod (the other two legs being industry-based view and resource-based view) and suggests that instead of substituting IBV and RBV with institutions-based view, it should be used complementing these two methods in identifying the causes what makes a firm fail or succeed and ultimately an economy developed or less developed respectively. These external factors are seen to impact not only developing countries but also developed economies, even when they have relatively smooth market-based structures (Peng and Heath, 1996). These differences in economic factors and growth between developed and developing economies point to the fact that there are institutional forces playing creating these differences, implied by Baumol (1990) as well. Institutional context recently has been referred to as being an important element in understanding these differences between developed and developing economies, unlocking the complex role of entrepreneurship depending how efficient or inefficient institutions are (Peng, 2002).

Since every context is different, the impact of these institutions also varies. Its already been observed that there are differences between developed and developing economies. However, even two contexts in either developed or developing economies cannot be same either. For example, developed economies like USA and UK have different forms of governance structures. USA has a more federal and constitutional republic form of government while UK has a monarchy-parliament government. And developing economies like Russia and China also have different political structures; one being a democratic federal republic and other being a socialist economy republic. It implies that these institutional structures might tackle similar issues differently in their different contexts even if the countries facing issues represent the same developed or developing context.

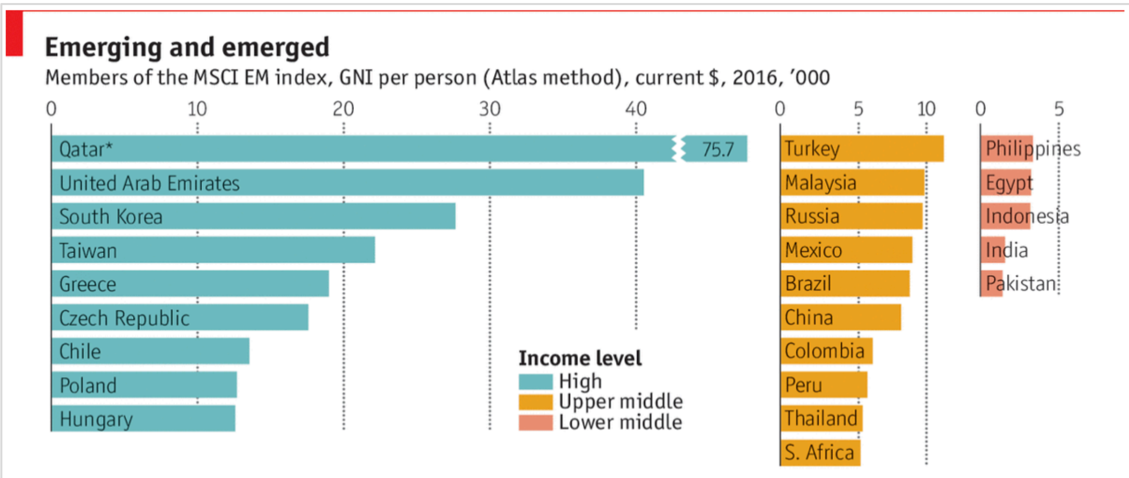
It can be argued; institutions matter and provide an incentive structure to the society. Institutional theory gives the impression of having a very insightful approach (Hoskisson et al., 2000) when probing into organizational strategies that how one decision is favoured against the other. The institutional framework as it evolves, shapes the direction of economic change. In other words, there is a need to explore how institutions influence the industry and firms' capabilities to an extent where these structures either inhibit or boost entrepreneurial acts.

The next section gives an account of emerging economies that are different from the developed economies in terms of their institutional structures, technological advances and culture and yet are different from each other as well at different stages of economic development.

2.3 Emerging Economies

The notion of emerging economies was coined first by Antoine van Agtmael of the International Financial Corporation of World Bank (The Economist, 2017). Broadly defined, an emerging economy can be described as a country making an effort to change and improve its economy with the goal of raising its performance to that of the world's more advanced nations. Hoskisson et al. (2000) defined these countries as, *'low-income, rapid-growth countries using liberalization as their primary engine of growth'* (p. 249). In other words, these countries are called emerging economies due to their slow or non-existent developments and structural reforms as compared to the developed nations. Emerging economies represent 85% – 6 billion people – of the total world's population while contributing almost 60% to the global economy (IMF, 2016; The Economist, 2017). Though these emerging economies are grouped together in one class but different subgroups with critical differences have appeared in this category[8] (Sensoy et al., 2016). *'Each nation differs in its laws, taxes, politics, business environment, and culture'* (PwC, n.d) that influences the institutional landscape of an economy making it distinct from other markets even from the same category. For example, the outlook for Asian emerging markets looks positive overall where Brazil's fiscal deficit is still huge even when its economy is showing positive results (Business Insider, 2017). Thus, these emerging economies signify a diverse group in terms of size, population, per capital income and economic structure. The figure 2.2 below shows the World Bank's classification of emerging economies.

Figure 2.2: Classification of Emerging Economies (World Bank)



(The Economist, 2017)

With the trend of globalization and trade liberalization, many emerging market contexts, such as Brazil, China, Africa and Middle East nations have experienced exceptional growth in recent years. This has to a great extent led to the transformation of the global economy. Though, these emerging economies enjoy the prospect of substantial economic development and have infrastructures to facilitate growth but in spite of making progress in the overall world market context, the efficiency and the effectiveness of their institutional structures is still not at par with corresponding infrastructures found in mature economies (Marquis and Raynard, 2015). These economies' structures lag behind

[8] Though there are different subgroups in emerging markets, but this section explains these economies as one category without going into particular differences between these markets.

the more advanced and developed nations due to inequalities of incomes and other issues like inflation, growing unemployment and poverty etc.

These countries face a number of challenges and how these challenges are overcome determine the status of these economies while defining the standard of living that people in these countries enjoy or endure. The economic and political institutions in these emerging economies are found to be lacking as compared to developed economies. Institutional and policy changes typically occur in these emerging economies in a volatile and a non-linear manner (Hoskisson et al., 2000; Peng, 2001, 2003). Several aspects such as the entry and exit of businesses, weak or almost no protection of intellectual property, negligence in real estate matters, the informal economy and corruption in almost every department make these economies hugely different from developed nations. For example, one of the corporations in China, Yuanhua, is a widely reported case of illegal evasion of taxes and corruption in which more than 200 officials were accused of corruption and dishonesty. The corporation, Yuanhua, smuggled goods worth of RMB (CNY) 53 billion into China in a four-year period (1996 - 1999) with the help of its founder’s personal networks in various government departments such as foreign trade, military and public security etc. and bribes given to these people (Shieh, 2005). Another example of Kehlifa Bank case is a largest corruption example of state institutions involving about $2 billion in Algeria’s history (BBC News, 2007).

Emerging markets usually have low literacy rates and poor communication network as compared to the mature economies. It makes it difficult to obtain information and communicate with the consumers to satisfy the supply and demand state, which in turn impacts the business environment. These economies usually suffer from high inflation rates. Since there is no check and balance on the firms, and governments do not have enough means to warn consumers about dishonest and unscrupulous businesses, consumers tend to fall prey to these kinds of ventures.

Emergent economies though are trying to be self-sufficient in every aspect slowly and gradually but their institutional conditions at present are not as mature as their counterparts in the western world, which creates uncertainty, and ambiguity in the business world. Different factors of risk and influence, mentioned above, contribute to (or restrain) the quality and pace of growth within these emerging economies.

All these issues collectively lead to a potential political and legal risk for companies trying to establish their businesses in emerging markets (Henisz and Macher, 2004). Besides, these economies have weak economic structures due to the lack of diversification in industries, usually dependent on a few industries such as agriculture and mineral commodities. And, due to weak financial markets, which are significantly smaller in terms of GDP than those of developed economies, these weak economies are not fully equipped to deal with any kind of economic crises or to provide financial support to fuel business growth. Therefore, volatility of markets and less stable economic structures makes the position of these economies fragile.

Such undefined and uncertain markets in emerging countries may enhance or inhibit innovative entrepreneurial activities (Marcotte et al., 2010). In comparison with entrepreneurs in developed economies who are after opportunities that stimulate technological advancement and spur innovation, entrepreneurs in emerging economies looking for opportunities consider entrepreneurship as an alternative to unemployment and their activities are mostly necessity-based (Shane, 2009). Besides, emerging economies do not have resources to carry out innovative activities as Anokhin and Wincent (2012) claimed to have found a negative relationship between new business start-ups and innovation rates in emerging economies. It implies that an entrepreneurial activity in emerging economies is generally of low-impact and low-innovation kind since it is easier for such economies to imitate rather than innovate. Another study done by Valliere and Peterson (2009) had the similar conclusion. However, more research is needed to explore this phenomenon in emerging countries context taking different perspectives into consideration in order to provide conclusive results (Anokhin and Wincent, 2012)

Developed economies are known for democratic governance, free market for trade with clarity in geopolitical and strategic perspective required for sustained development to cope up with the demand, supply and consumer choice. While emerging markets are at a disadvantage as they do not have these required privileges yet.

Emerging markets demand attention in this era because developed nations, in spite of the status of being ‘developed’, went through a rough phase of economic stagnation making them sluggish in various product markets (Nakata and Sivakumar, 1997) while some of the emerging economies caught up and represent some of the fastest growing markets as global recession didn't hit them as hard it did to advanced economies. For example, China's GNP grew from 9 to13 per cent yearly during 1992 to 1995 (US Department of Commerce, 1996, p. 464 cited in Nakata and Sivakumar, 1997) and is projected to be one of the top ten wealthiest nations by 2020 while South Korea and Taiwan's GDP are expected to outdo Canada's GDP (Nakata and Sivakumar, 1997) Hence, the shift of emerging economies to being more developed is on the rise.

Typically, the preferred path for emerging economies is to follow entrepreneurial activities and attract local entrepreneurs in combination with the foreign investors to make their transition from 'emerging' to 'developed 'nations smooth. Emerging economies should focus on promoting and developing local leaders and local talent as social capital plays a significant role along with access to capital in any nation's growth. This will enable entrepreneurship to flourish in such economies. These entrepreneurial activities if productive might have a capability to bring about change in economic structures, policies or institutional contexts (Peng, 2001, 2003), beneficial to a wider society. For example, today every country in the Middle East region with a free zone is the result of successful innovation of the first free zone, JAFZA that was established in Dubai, UAE in 1985. Similarly, the government in India in 1991 implemented economic liberalization measures due to the influence and persuasion of powerful groups of entrepreneurs (Pedersen, 2000). It infers, institutions do provide stability and facilitate growth but have a tendency to change if influenced by any social, political or cultural factors.

Therefore, the best practicable solution for these emergent economies to go forward would be to shift considerably from authoritarian and centrally planned economies to relative free market economies. And convert the institutional framework to a fair legal, political and social environment as it would help to legitimate, protect, develop and prepare an economy where people can expect to gain benefits through physical and mind labour. And progress rather than their efforts being sabotaged by weak legal structure where people with connections and resources try to extract benefits for their own sake.

The empirical case JAFZA is located in Dubai. Dubai has become a high-income economy in the past two decades or so. However, JAFZA is a historical case that occurred in 1980s when the formal institutions in Dubai were still less mature and less established as UAE came into being in 1971. This is why it is referred to as an emerging economy for this study. The next section provides rationale for considering Dubai as an emerging economy.

2.3.1 Dubai – An Emerging Economy

According to the recent data of World bank, Dubai falls in a high-income category of emerging economies (The Economist, 2017); its GDP growth is at par with the developed economies (The Gulf Today, 2017a). Dubai's economic diversification has made its business environment highly attractive that has brought huge amounts of foreign direct investment. Zhao and Karagoz (2016) state that the economic diversification of Dubai has paid off as it *'keeps the leading position in all aspects of infrastructure: air transport, ground tourism and ICT infrastructure and high-quality roads and airports infrastructure'* (p. 238).

Dubai puts strong emphasis on the efficiency and effectiveness of institutions. For instance, UAE ranks 90.87percentile on government effectiveness, 88.46percentile on corruption control, 80.29percentile on regulatory equality and ranks 5th in providing security and order to its residents according to World Justice Project's Rule of Law Index (United Arab Emirates, 2016). All of these elements suggest that the political, legal and economic institutions in Dubai are quite effective.

However, the empirical case JAFZA – Dubai materialized in 1980s when UAE had just gained independence in 1971. At the time, it was just a desert with huge sand dunes with almost no infrastructure. It had less mature and weak institutional structure and all efforts were put into trying to build an economy away from oil revenues. The residents of Dubai would say that their country was still in its embryonic stage (in terms of institutional conditions and economic development) in 1970s and 1980s. It can be argued that Dubai was trying to cope to be more stable and solvent during the period when JAFZA got established.

Below are the few data facts[9] that illustrates the evolution of UAE. It helps us to view Dubai in its historical context. There are not any statistics available on Dubai itself, so

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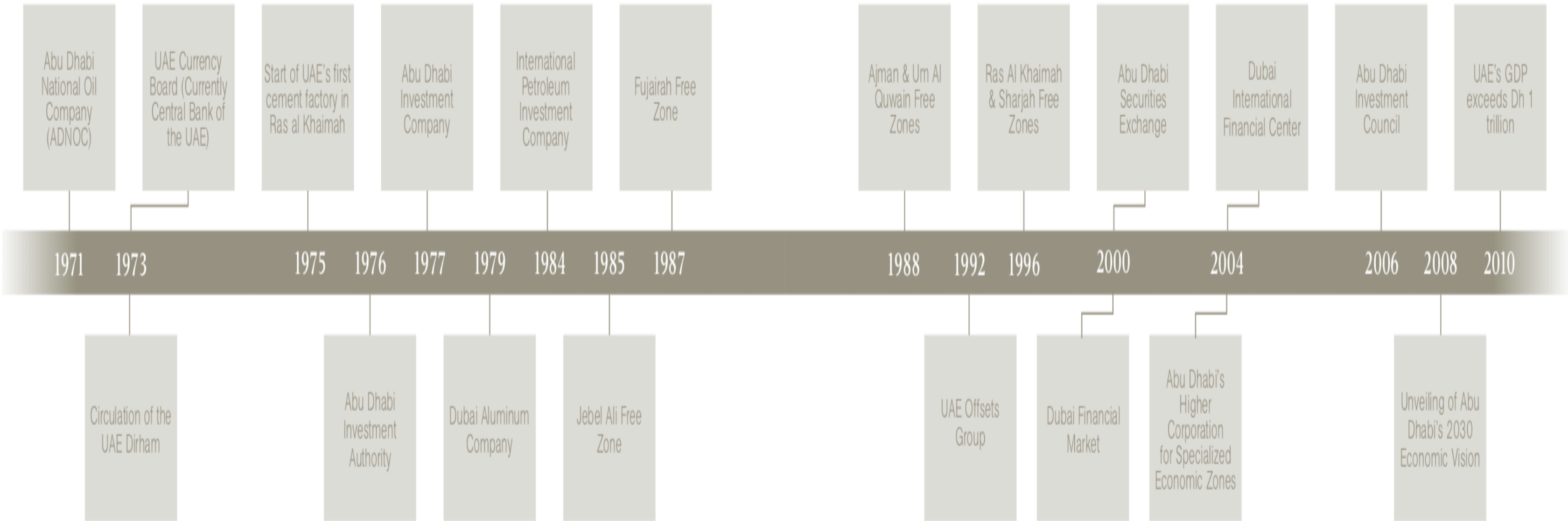
[9] A study by Dubai Economic Council claims that the economy of Dubai grew by a factor of 11 from 1975 to 2008 and '*breaks down the growth between 1975 through 1990 showing an annual rise in GDP of around 6 per cent, then 1990 through 2005 showing an annual rise of about nine*

UAE data is used (Scott, 2014). The figure 2.3 below shows a few milestones in UAE economy over the last 40 years (1971 - 2011) where most of the government authorities and organizations were established in 1970s and 1980s. It can be argued that it was the beginning of development era of UAE as most of the government entities were founded in that period.

per cent'. But these figures might not be the true depiction of the results as *'the study also noted that conclusive statements on the Dubai economy were difficult to make, because statistical data in the UAE, and in particular Dubai, are scarce and, on several occasions, limited in terms of coverage and time congruency'* (Scott, 2014). Also, the past GDP figures might not give the correct representation of Dubai's economic growth since it was largely dependent on oil in its early years.

Figure 2.3: Milestones in UAE Economy



(UNITED ARAB EMIRATES: 40 Years of Progress, n.d, p. 29)

While figure 2.4 below depicts the state of UAE Infant Mortality Rate over the last 40 years. It shows that the infant mortality rate was quite high as compared to USA in 1970s and 1980s. It suggests that health services were quite poor. And the figure 2.5 illustrates the literacy rate that grew from 38.1 to 91.5 for females and 58.4 to 89.5 for males in the last 40 years. A low literacy rate in 1970s suggests that either there were not enough educational institutions or people were not very inclined to obtain education.

Figure 2.4: UAE Infant Mortality Rate

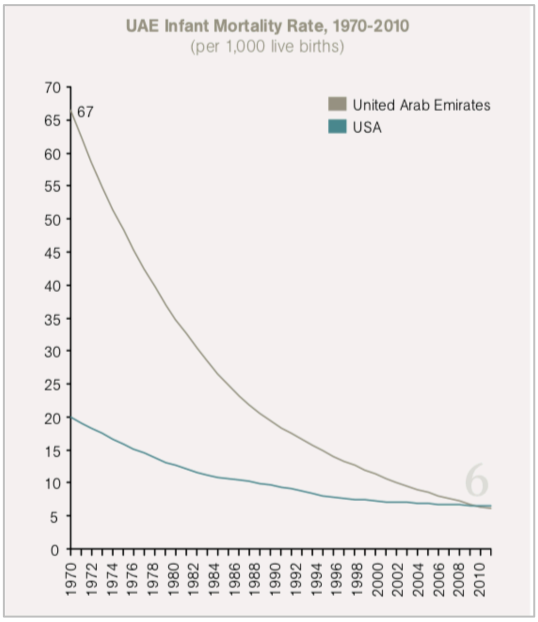
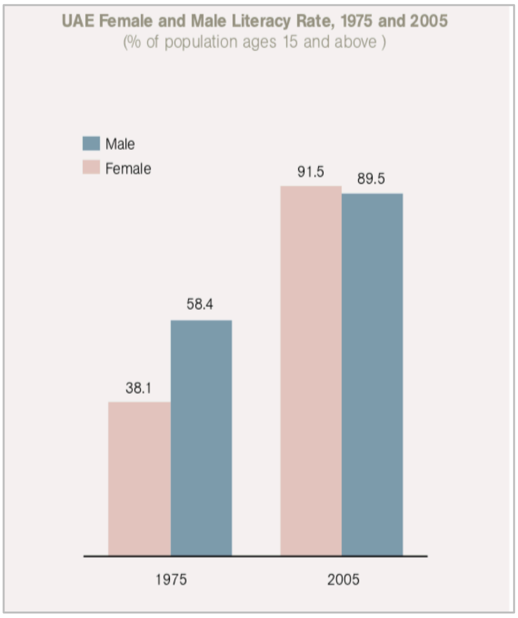


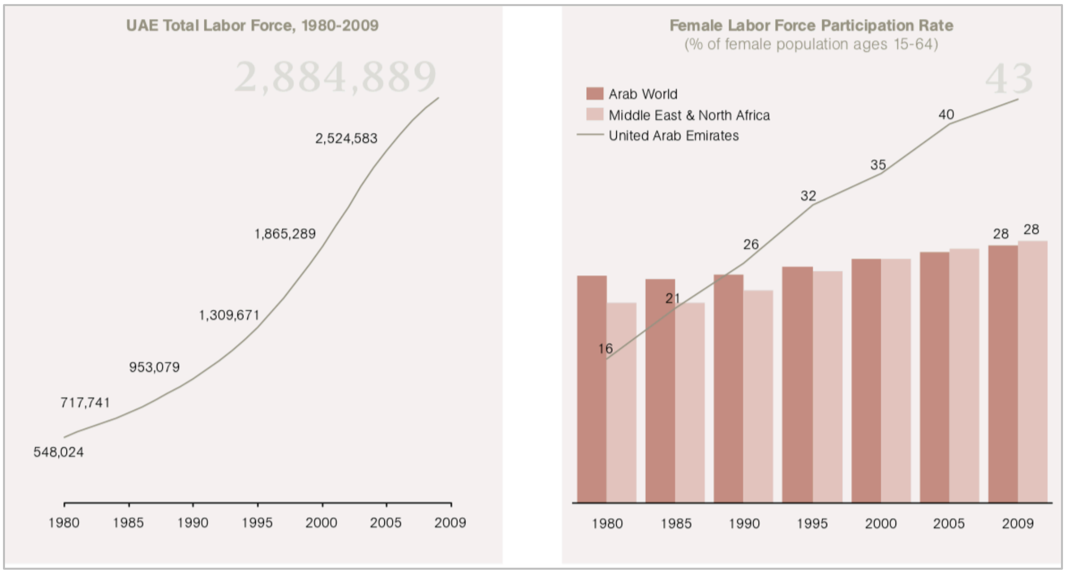
Figure 2.5: UAE Literacy Rate



(UNITED ARAB EMIRATES: 40 Years of Progress, n.d, p. 21)

The figure 2.6 below shows the ratio of females in UAE labour force which has grown to almost 43% from 16%. UAE is quite a conservative country with a male dominant society where women were not encouraged to get education. A low female labour force participation rate in 1970s indicates a society where women were not given priority in job positions or skilled female labour force was not available due to poor literacy rate.

Figure 2.6: UAE Total Labour Force and Female Labour Force Participation Rate



(UNITED ARAB EMIRATES: 40 Years of Progress, n.d, p. 34)

Based on these facts, it can be inferred that Dubai was an emerging economy in 1980s when JAFZA was established.

Additionally, the current institutional framework of UAE might not be as efficient and effective as it is claimed to be. For instance, UAE ranks poorly at 19.21percentile on the freedom of speech criteria (United Arab Emirates, 2016, p. 17). People are still not allowed to talk openly even when Dubai hosts four media free zones in its surroundings. Networks like BBC and CNN have their releases scrutinized and follow strict official guidelines for reporting. A recent incident saw a PhD researcher from UK getting arrested for interviewing people on the streets (Parveen and Wintour, 2018). In another instance, a social media video of a native harassing an Asian driver on the road was taken down from its website as it involved a local high-profile person, but it was never reported. Inequality in wages is also common between locals and non-locals while at the same time western expats are paid handsomely as compared to their Asian (India, Pakistan, Bangladesh) counterparts (Tong and Al Awad, 2014). The labour conditions for migrant workers at low-paid jobs are quite poor; these workers are mistreated and exploited by their sponsors (Batty, 2013). Waasta as in nepotism is deeply embedded in the culture that leads to unemployment and non-merit favours (Tashakova, 2015). Hence, it can be argued that though Dubai might be a high-income economy with political and economic institutions that drives growth. But at the basic level, there still is a need for improvement to offer an environment where one's basic human rights are not vandalized.

The next section briefly discusses the important of free zones in an economic development of a country. It enables the reader to assimilate with these specialized areas, referred to as free zones, as this research is going to be operationalized in a free zone setting.

2.3.2 Free Zones

In recent times of market liberalization and globalization, the global economy where it has brought many challenges, it has also unlocked endless opportunities. Economies are looking at trade integration, as it seems to be the key to drive economic development and trade. Free zones (FZ) are employed as one of the means to boost economic growth that economies have started to practice, enabling them to stimulate economic development by attracting foreign direct investment (FDI).

Various forms of FZ (duty free export processing zones, free export zones, export processing zones, export free zones, special economic zones, free trade zones and industrial free zones) are found that economies practice, conditioned by the market requirement, context and the legal structure of a country. Consequently, countries have adopted different labels for FZs where each label represents a specialized area with a distinct purpose. It reflects the evolving nature of these free zones. The institutions (UNCTAD, 1985; ILO/UNCTC, 1988; Kusago and Tzannatos, 1998; Engman, Onodera and Pinali, 2007; FIAS, 2008) and scholars (Bost, 2007; Aggarwal, 2010) typically categorize free zones into different forms that tend to illustrate these free zones as polymorphic. However, all these various terminologies converge and refer to the basic principle of a free zone (Johansson, 1994; Jayanthakumaran, 2003).

Free zones are specialized clustered areas that are typically located near the seaports or airports equipped with smooth logistic operations, in order to boost trade and commerce activities aimed at economic growth and development. Around 45000 clustered areas considered as FZs exist in over 135 countries (Mammodov, 2016). These free zones provide benefits such as minimal or no taxes; less red tape allowing foreign investors to establish their businesses effortlessly and repatriate capital.

A variety of definitions for free zones are found. A monthly review of Federal Reserve Bank of St. Louis defines a free trade zone as, '*an isolated, enclosed, and policed area in or adjacent to a port of entry, without resident population, furnished with the necessary facilities for lading and unlading, for supplying fuel and ships' stores, for storing goods, and for reshipping them by land and water; an area within which goods may be landed, stored, mixed, blended, repacked, manufactured, and reshipped without payment of duties and without the intervention of customs officials. It is subject equally with adjacent regions to all the laws relating to public health, vessel inspection, postal service, labour conditions, immigration, and indeed everything except customs'* (Federal Reserve Bank of Atlanta, 1952).

The World Bank (1992) defines free zones as '*fenced-in areas that specialize in manufacturing for exports that offer firms free trade conditions and a liberal regulatory environment'* (Madani, 1999). Similarly, according to the study of ILO/UNCTC (1988), '*a free zone can be defined as a clearly delineated industrial estate which constitutes a free trade enclave in the customs and trade regime of a country, and where foreign manufacturing firms producing mainly for export benefit from a certain number of fiscal and financial incentives'*. While, a study of OECD defines the free zone as '*a government policy to promote exports of goods and/or services by offering a more competitive business environment through provision of special incentives including particular tariff exemptions to inputs in a geographically defined area'* (Engman, Onodera and Pinali, 2007)

Free zones have been utilized as a route to boost commerce activities since pre-historic times, as F (2009, 19) argues, '*before modernity, such places were concentrated in the Mediterranean basin, at Delos in Greco- Roman times, and in Venice, Genoa and Marseilles during the Middle Ages'*. However, Shannon Free Zone of Ireland, established in 1959, is considered to be the first contemporary free zone of the world. Earlier, though people used to trade as a means to gain economic stability in such areas known as 'free trade zones' but there were no custom tariffs. However, Shannon Free Zone adjacent to Shannon Airport was established in 1959 as a specialized area with special tax incentives. The objective of Irish government was to attract manufacturing companies in order to retain the interest in the area when long-haul transatlantic flights started without stopping in Shannon Airport for refuelling. Following Shannon Free Zone, a number of free zones established around

the world (ILO/UNCTC, 1988). However, these specialized areas were not exploited as a tool to enhance economic development until 20th century.

Free zones can be managed and run either by private or public bodies. However, the trend of free zones being operated by government institutions has shifted to private entities lately. The reason being, private entities profitably running the free zones has lessened the burden on government budget that led to an increase in number of private operators in recent years (FIAS, 2008).

Not only developed countries but also the developing countries have benefited from FZs. According to Johansson (1994), foreign direct investment from developed countries is not the only benefit of free zones, but the spillover effect from FDI such as technology transfer, job employment, human capital, government revenues and development of administrative and management skills on host country environment have also been observed (Madani, 1999). Foreign investors seem to prefer the boundaries of free zones, as these clustered areas are considered to be more business friendly with relaxed policies (He, 2002). These foreign firms typically disseminate the knowledge and technology to local firms enabling these host countries firms to grow and expand (Romer, 1993; Johansson and Nilsson, 1997). FZs can thus be considered an effective way to put the country on a much speedy economic development track (Schrank, 2001).

However, the economic impact of these specialized zones with regard to creation of jobs, import and export activities, foreign direct investment or technology transfer differs in each free zone. Within a same context, free zones could produce diverse effects. For example, Mauritius had a huge success with the free zone in terms of generation of jobs, foreign direct investment, export diversification and linkages between free zone and local businesses. Whereas Senegal Free Zone is considered to be a let-down since it was not able to realize said benefits. It can be argued, the differences in economic impact of these free zones is contingent to several factors such as incentives, bureaucratic procedures, infrastructure facilities, government strategy and political environment (Madani, 1999) that determines the success or failure of a free zone.

2.3.3 The Economic Argument for Free Zones

Free zones are considered as a tool to boost economic development. Typically, the economic impact of free zones is categorized into static and dynamic benefits (FIAS, 2008). The static benefits being government revenues, direct employment, FDI, export diversification and foreign exchange earnings. Whereas, dynamic benefits involve technology transfer, indirect creation of jobs and businesses, enhanced skill-sets and linkages established with the local economy. These dynamic benefits are considered to be significant as they have a wider impact on the host country. However, the level of development of a free zone and its contribution to local economy should be taken into account when measuring the success or failure of any free zone.

One of the most important benefits of free zones that economies look forward to is foreign direct investment. FDI creates an advantageous platform to link domestic firms to wider global market, facilitates with spill over effects of learning effects, know-how and technology transfer, increase competition, direct employment and generate foreign exchange earnings.

Foreign exchange earnings are considered to be another main benefit of FZs through FDI and exports. '*Foreign exchange earnings might ease some of the constraints that low-income countries face, allowing them to source inputs and other import needs for the whole economy*' (Engman, Onodera and Pinali, 2007). For example, for instance in Mauritius, foreign exchange *'earnings grew from 3 per cent of total export earnings in 1971 to 52.6 per cent in 1986 and 68.7 per cent in 1994.*' (Madani, 1999, p. 23)

Free zones create numerous job opportunities, referred as direct employment, for the local economy through manufacturing facilities. They are also known to generate indirect employment by creating backward linkages between firms in the free zone and host economy. It allows for domestic firms to learn and grow.

Free zones help in sectoral concentrations that can provide useful resources and expertise to the firms. It can facilitate domestic firms in terms of technology transfer and skilled labour. It brings together labour, supplier, customers that facilitate productivity. Free zones are source to generate revenues for the government in terms of fees collected for different licenses and operations in the free zone, rent for storage and warehouse facilities etc.

However, there have been many examples where free zones have not been a success as expected. One such example is Shenzhen free zone in China where government invested $1 billion but was able to attract only $ 840 million in FDI. Similarly, the free zone in Dakar failed due to non-availability of cheap labour and strict bureaucratic procedures. It implies that the success or failure of a free zone can be due to poor infrastructure, location, zone size, and government policy (Farole and Akinci, 2011).

Therefore, economies should be diligent when taking a decision to establish a free zone. They do provide economic benefits to host countries but at the same time, they can fail too due to poor infrastructure, inflexible government policies, excessive red tape or expensive labour. Moreover, the global market is dynamic so cost/benefit analysis should be dynamic as well. The countries should be clear what kind of objectives they are looking for from a free zone and how they can achieve it, and the related government policies and infrastructure conditions in conjunction with each other should be taken into consideration (McIntyre, Narula, and Trevino, 1996).

The next section talks about the concept of institutional entrepreneurship and discusses how such actors are able to bring change in an institutional structure and replace the existing structures with new institutional arrangements.

2.4 Institutional Entrepreneurship

The theorists in old institutionalism relied more on the normative element where the institutions were viewed to guide individual behaviour by shaping their preferences. The focus was on the stability of institutions. Whereas new institutionalism relied more on the cognitive element that viewed institutions giving behavioural independence to individuals in terms of not only what one should do but also indicating what one can do in any given context. But both these views seem to override the role of agency.

Since these theorists were unable to define exactly the role of actors in an institutional change, that is, role of agency in de-institutionalization and re-institutionalization process, therefore, it was fundamental to focus on the development of a theory of action (Battilana, Leca, and Boxenbaum, 2009). The idea was to focus on human interaction with the institutions to explain that how organizations or individuals have the capability to change the rules of the game (North, 1990) and introduce new institutional arrangements. Earlier texts had failed to fully conceptualize the interaction between actors and structures and '*considered actors and their agency to be subordinate of the institutions'* (Abdelnour, Hasselbladh, and Kallinikos, 2017, p. 1775-1776). Therefore, the concept of institutional entrepreneurship tries to fill this gap by focusing both on exogenous and endogenous nature of institutional changes through an interaction between actors and institutions. It provides an answer to questions like how institutions are transformed or how completely new patterns are introduced into the institutional system superseding the old ones focusing on the role of actors in such scenarios.

The notion of institutional entrepreneurship is not a novel concept anymore as it has been getting attention in the literature from the last two decades or so. A sociologist, Eisenhardt introduced this concept first in 1980 and called this distinct category of entrepreneurs as 'institutional entrepreneurs' responsible for leading and directing change. DiMaggio (1988), building on the Eisenhardt's idea, elaborated it further and reintroduced the concept of agency back into institutional theory. DiMaggio conceptualized these actors, as '*with sufficient resources who see in them [new institutions] an opportunity to realize an interest that they value highly'*, who are able to construct new structures (1988, p. 14).

As stated above, the recent developments in the literature of institutional entrepreneurship bridges the gap between old and new institutionalism with the reintroduction of agency factor in the institutional analysis (Hardy and Maguire, 2008). Agency is the core component in the institutional entrepreneurship theory, employing an integral position. However, the introduction of the concept of institutional entrepreneurship is not to negate the idea of new institutionalism but rather to build on the existing theories where the role of both actors and institutions is fully acknowledged. It can be taken as sub-field emerging from the concepts of both old and new institutionalism, revolving around the effectiveness and change in institutional logics having extrinsic and intrinsic nature with the involvement of actors. The concept of institutional entrepreneurship helped to build an insight in how actors create space and construct new institutional systems based on their personal or collective interests and provides a better understanding and appreciation of institutional emergence, maintenance and continuity, and change. It adds a more actorcentric approach in new institutionalism by investigating the deliberate strategies of institutional entrepreneurs.

There has been a lot of development in the entrepreneurship literature but surprisingly just few studies (Hwang and Powell, 2005; Phillips and Tracey, 2007) have tried to distinguish between entrepreneurs and institutional entrepreneurs. Though both the concepts 'entrepreneurship' and 'institutional entrepreneurship' are said to bring new outcomes and new possibilities in a society with few commonalities in between as Battilana, Leca and Boxenbaum (2009, p. 71) also stated, *'the concept of entrepreneur overlaps that of institutional entrepreneur*'. However, there is a clear distinction between entrepreneurship and institutional entrepreneurship. The divergence that is found between these two concepts is that institutional entrepreneurship discusses the action that aims to produce deviation from taken-for-granted institutional arrangements while entrepreneurship does not involve institutional action and establishing '*a new venture is not an essential element of institutional entrepreneurship'* (Battilana, Leca and Boxenbaum, 2009, p.71).

The phenomenon of institutional entrepreneurship can be taken as activities of an individual's '*who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones*' (Maguire, Hardy and Lawrence, 2004, p. 657). The emphasis is on how actors see an opportunity and act upon it. This also coincides with DiMaggio (1988, p.14) statement that mentions the same fact as, '*new institutions arise when organized actors with sufficient resources see in them an opportunity to realize interests that they value highly*'. Both these statements share the similar concept of actors having sufficient resources to bring about institutional change in their respective contexts.

Institutional entrepreneurship involves the ability to '*envision alternative possibilities and contextualize past habits and future projects within the contingencies of the moment to transform the existing institutions*' (Emirbayer and Mische, 1998, p. 963). Hence, institutional entrepreneurs disrupt the established rules and practices of the prevailing institutional logics and institutionalize the alternative practices, logics and rules they are championing (Garud and Karnøe, 2001). Institutional entrepreneurship can also be taken as a political process, a whole new system with more feasible and viable strategies advantageous to both new and old stakeholders (Fligstein, 1997; Seo and Creed, 2002), provided the activity is productive entrepreneurship that contributes to an economy.

Institutional entrepreneurs are also described as change agents as they break away from the norm and create a context suitable for their activities. Change agents do not necessarily have to be entrepreneurs but they can be officials, government representatives, political leaders or any organizational agents. And, they are regarded as actors who have the capability to bring change in the structures where firms operate. Change agent can even be a state itself as Smallbone and Welter (2012) showed that how the state for Central and Eastern Europe countries played an active role as an agent of institutional change, in becoming a member of EU. Similarly, for instance, Li Shufu, a well-known entrepreneur in China, made his way in the vehicle industry, entirely ruled by state-owned enterprises, providing access to other private enterprises into the field which is now considered to be a key element in national pillar industry of China (Smallbone, Welter and Juanzhong, 2011). Thus, the act of change can either be individualistic or a collective action; it mobilizes resources to alter or create institutions that favour the interests of such agents i.e. change agents set the transformation of institutions in motion.

However, the concept of institutional entrepreneurship though being able to answer some key questions emerging from the literature of entrepreneurship, faces some criticism as well. As institutional entrepreneurship requires actors to disengage from existing embedded practices, introduce new ones and diffuse them into a field so that other actors can follow these new institutionalized arrangements. The triggering question is how these institutional entrepreneurs accomplish such a goal of extricating themselves from these structures by going through a process of deinstitutionalization and then re-institutionalization when these actors themselves are embedded in the same institutional context, which guides their behaviour.

This discrepancy *‘alludes to the classical debate on structure versus agency, which implies that actors are somehow able to disengage from their social context and act strategically to change it’* (Leca, Battilana, and Boxenbaum, 2008, p. 4). This relates to the tension between institutional structuralism and actors' agency also known as ‘paradox of embedded agency’ (Holm, 1995; Seo and Creed, 2002).

2.4.1 Structure - Agency Debate

Institutional entrepreneurship brought back the concept of agency into institutional analysis of organizations and is considered to bridge the gap between old and new institutionalisms in organizational analysis (DiMaggio and Powell, 1991; Greenwood and Hining, 1996). But the concept of institutional entrepreneurship is paradoxical in nature. Research on institutions focus more on continuity and conformity of organizational processes which are shaped by institutional forces, while research on entrepreneurship emphasize more the effect of creative entrepreneurial forces, that bring about change in organizational processes and institutions. The juncture of both these streams of research - institutional entrepreneurship – gives a promising arena to discover fully the potential of these forces bringing change associated with continuity and conformity.

The debate of structure verses agency provided the connection between these two streams. The one extreme of this debate is heavily based on the 'structure' model, privileging structure over agency. This stream supports that social factors are those that restructure institutions and as a consequence, humans are following processes unwittingly, like processors of information without interpreting these social inputs. This idea supports the stability and continuity of institutions portraying actors as cultural dopes (Hirsch and Lounsbury, 1997). On the other hand, the other extreme of this debate is heavily based on theories that focus on agents' role in the institutional field, privileging agency over structure. This approach portrays actors as heroic figures bringing about change in the institutional patterns by going after their own particular interests and making their own free choices, acting rationally, strategically and with limited influence from the institutional environment. The problematic part is that each extreme neglects the existence of other. Although the view that privileges agency can be considered as a powerful way to account for the role of actors in institutional change but the unilateral focus of institutional entrepreneurship on the role of agency neglecting institutions can be argued as problematic, which relates back to the paradox of embedded agency (Garud, Hardy and Maguire, 2007). The main theoretical puzzle of the paradox of embedded agency can be stated as *'if actors are embedded in an institutional field and subject to regulative, normative and cognitive processes that structure their cognitions, define their interests and produce their identities, how are they able to envision new practices and then subsequently get others to adopt them?'* (Garud, Hardy and Maguire, 2007, p. 961).

No clear argument exists yet that explains how these institutional entrepreneurs are able to change the values and beliefs when they belong to the same environment or a setting where the change is happening. Therefore, the challenge for institutional entrepreneurship theory is to find a way to *'travel the difficult road that passes between a rational choice model of agency on one side and structural determinism on the other'* (Battilana, Leca and Boxenbaum, 2009, p. 73).

Since recent developments in the literature have tried to provide an explanation how the human interaction with the institutions enable them to create change in the institutional arrangements by placing agency back into the institutional analysis of the organizations. For that reason, different perspectives have been presented in an attempt to resolve the paradox of embedded agency.

One of the views talks about embedded actors positioned at the centre of a highly institutionalized field acting as institutional entrepreneurs. The contextual embeddedness of such actors makes them more aware of alternative institutional logics when a change in market forces occurs. Greenwood and Suddaby (2006) presented a case where the largest global accounting firms also known as Big Five were responsible for introducing a new organizational form – multidisciplinary practice (MDP) that included several other professional services than just auditing services demanded by clients. The authors explained institutional change using network location theory and contradiction theory. Greenwood and Suddaby (2006) identified four elements: adverse performance, boundary bridging, boundary misalignment and resource asymmetries – that made the dominant and central actors like Big Five to act as institutional entrepreneurs. Firstly ('adverse performance'), the elite accounting firms were concerned with their declining growth rates and they realized that their financial performance cannot be maintained with only audit and accounting services and they need to expand their services set. Thus, the need to be economically better allowed the Big Five to adopt a multidisciplinary practice as an added facility to already existing auditing practices to improve their business. Secondly ('boundary bridging'), the Big Five structural position in the organizational field exposed them to conflicting institutional logics, as the clients were demanding other services like legal assistance other than just audit and accounting practices so it allowed Big Five to respond to the demand in the market with a new organizational form. Thirdly ('boundary misalignment'), the regulatory measures in effect seemed lacking with the expanding scope of the Big Five as they became transnational. The professional standards that these firms were subjected to were still determined by the local legislation even when their operations had expanded beyond the borders and did not cater to their international operations. Thus, misalignment between market and regulatory measures made space for new structures and processes to cope with the changing environment. Fourthly and finally, 'resource asymmetries' with regard to coercive and normative pressures made Big Five less tied to the regulatory measures resulting in introduction of MDP. Because the insufficient regulatory measures for the Big Five global operations and the one-stop shop service demand from the clients made these firms introduce and adopt the new organizational form, resulting in other small firms also following them, hence an institutional change. However, it is argued that the highly institutionalized fields are usually less likely to go under any institutional change and the actors at the periphery of a field might feel more privileged by instigating the change, as they are less embedded and often disadvantaged than the central embedded actors (Rao, Morrill and Zald, 2000; Hensmans, 2003; Battilana, 2011).

This perspective sheds light on an institutional change by focusing on how centrally embedded actors bring change into a highly institutionalized field as the previous studies mostly focused on less advantaged peripheral actors. The authors use network theory and contradiction theory to highlight the misalignment between existing practices and the market demand. It does answer the question how actors bring change when they are guided by these same institutions by focusing on institutional contradictions that encouraged these actors to bring change. The power factor also comes into play since these were dominant players of the field who did not abide by the rules of the game when their clients demanded additional services. However, it seems to imply that institutions were not stable enough to provide guidance to the field actors, as these centrally embedded actors were able to override the existing structures when they were expected to follow guidelines provided by a auditing regulating body.

Another view reviews the entry of new actors from another organization field into a focal field bringing in new institutional logics, and hence a change in institutional practices occurs. Zeitsma and Lawrence (2010) introduced the interplay of boundary work and practice work concepts into institutional change to explain the paradox of embedded agency. Boundary refers to the limits of an organizational field and boundary work refers to *'actors' efforts to establish, expand, reinforce, or undermine boundaries'* (p. 200). And practice work refers to effort put into create, maintain and establish routines or norms that create interactions within those boundaries. The authors provide a solution to paradox of embedded agency by claiming that agency was active in different forms (habitual, practice, projective) throughout the institutional cycle. They claimed '*agency was primarily habitual reproducing past patterns of behavior when boundaries were intact, and practices were accepted; Agency became practical when boundaries and practices were contested. And agency shifted to projective allowing future-oriented intention and action'*(p. 213-214). A case of clear-cut logging services (a harvesting method where all the trees are stripped down from an area) in forestry field in British Columbia, Canada was examined where the boundaries of the forestry institutional field were blurred with the entry of the new actors (environmental groups and First Nations (Canada`s aboriginal people)) from outside the field demanding to stop the practice of clear-cutting (Zeitsma and Lawrence, 2010). Despite the efforts of embedded actors (forestry firms and the business-friendly BC government) assuring environmentalists of clear-cutting as a most suitable maximizing forest regrowth method, the conflict persisted. New actors were engaged in bringing in new logics while the embedded actors were focused on trying to maintain the prevailing logics to continue with traditional clear-cut logging practice. However, the international and public pressure forced the embedded actors to establish boundaries with altered practice routines compatible with both embedded and outside actors' ideas. A method called variable retention was introduced where the trees were harvested in selective zones based on their ecological values, a plan with which the environmentalists agreed. Later, an Eco-system-based management system, accepted by the stakeholders, was developed with the collaboration between the forest companies and environmentalist groups with the oversight of multi-stakeholder committee formed by the government. It was aimed at to change the routines, practices and regulation of logging in BC, hence an institutional change (Zeitsma and Lawrence, 2010).

This perspective describes the institutional change by focusing on the institutional contradictions that arose due to the conflicting interests of the actors inside and outside the boundaries of the field. The authors claim that embedded agency is not paradoxical but is heterogeneous that is present in some form throughout the institution cycle that involves institutional stability, institutional conflict, institutional innovation and institutional re-stabilization (Zeitsma and Lawrence, 2010, p. 218). However, the form of projective agency where the actors' work towards re-stabilizing the institutions for the new practices does suggest of an innovation that acquires legitimacy. But an explicit distinction is not made about innovation acquiring legitimacy as a resolution, which is the current study's approach.

In another example, Smets, Morris, and Greenwood (2012) describe practice-driven approach that results in a shift in a field-level logic in a case of merger between British and German law firms. Due to the merger, practitioners from both jurisdictions faced a conflict due to differences in their approach of handling legal issues. It created tensions to accommodate new institutional prescriptions from the other jurisdiction when dealing with clients' requests. Hence, daily working patterns in order to satisfy their clients' demands on time gave rise to new behavioural arrangements leading to an institutional change. Since they were afraid of consequences of losing legitimacy if they did not fulfil their clients' requests.

This view explains institutional change based on a practice-driven approach that emerged from improvisations in daily routine work to satisfy clients demands on time, which indicates that change was not purely unintentional (p. 893). Such changes diffuse quietly and do not appear on the radar of regulators until they are totally immersed in the field, which then becomes harder to reject. It emphasizes the role of agency willing to change the institutional logic by bypassing the regulators check to accommodate their clients, hence overriding the structures. It implies that actors were prepared to overlook the role of institutions, which brings us back to the structure-agency debate.

Another view talks about the individualistic agency of embedded actors that plays a significant role in an institutional change. It might be an ability of an actor to reflect on her/his own position to be able to see an institutional void based on her/his experience and knowledge of the context. (Reay, Golden-Biddle, and Germann, 2006) describes such an embedded actor to create small incremental changes in a persistent manner without unsettling the local practice such that it creates its value over time in the institutional structure enough not to be able to eliminate or reject it. The study examined a case of legitimizing the role of nursing practitioners (NPs) in Alberta, Canada. NPs are registered nurses who are authorized to treat, diagnose and prescribe medication but this practice was not so common in Canada. Reay, Golden-Biddle, and Germann (2006, p. 984) identified three micro-processes – *cultivating opportunities for change, fitting a new role* *into prevailing systems, and proving the value of the new role*', which these embedded actors used to enact change. Nurse managers cultivated opportunities by staying alert to the situations that they can use in their favour. For example, they used the shortage of physicians as an argument to introduce and increase the NPs number in the field. They used conferences and interacted with community members and other health professionals to create awareness of NPs role. And they also used committee meetings and their interpersonal connections to push formalizing the NP role in a form of new legislation. Secondly, NPs tried to fit the NPs role in the existing system by introducing the NP job description in human resource systems. They wanted NPs role to be entrenched in the medical health field completely. Thirdly, NPs created value for their roles by being a role model by demonstrating their capability to perform, as they knew that they were constantly monitored and observed. Thus, NPs used these methods to change the system slowly and gradually avoiding conflict with local practices such that it became a part of the system (Reay, Golden-Biddle, and Germann, 2006).

This view focuses on embeddedness as an opportunity rather than a constraint to bring institutional change. And conceptualizes legitimacy into micro-process as well as into small wins so that it diffuses into the system which is difficult to eliminate. However, this view emphasizes the intentional and strategic move by NP practitioners by creating a tear in an institutional structure to legitimize their role, which implies that their action was not guided by the local institutions. That is, nurse practitioners deliberately took an action to create their role while ignoring the institutional arrangements, which implies the power of agency over structures. It again takes us back to the structure-agency debate that argues about unilateral focus of agency over structures or vice versa.

Similarly, Battilana (2006) also used the individual level of analysis to explain what conditions enable embedded actors to act as change agents. Battilana (2006) argued that the social position of an embedded actor served as an enabler in influencing her/his perception of the field. It enables her/him to assess and recognize an opportunity leading to an institutional change. Moreover, the social status also helps to access the resources required for a change relatively easier for an embedded actor than a non-embedded actor. The social status notion of an embedded actor is also in-line to some extent with the role of power in institutional change because institutional entrepreneurs are actors usually associated with power who are able to influence the organizations, structures and rules.

Most of the studies in the field of institutional entrepreneurship have been more on powerful actors such as state organizations, large corporations, professional associations and the state. It infers, the higher the status of an embedded actor in a field, the higher the chances for an institutional change.

This view provides guidelines to overcome the paradox of embedded agency by explaining institutional change on the basis of social position of an individual in a field. That ultimately shapes her/his perception of the field and enables to acquire resources necessary for structural change. It seems to focus more on human agency, as these actors used their social influence to create a change. However, the author mentions that such a change would also be dependent on the level of social position in an organization field but the actors with higher social status with their willingness to initiate change signified the intentionality of an actor to dominate the institutions.

Another alternative explanation for the paradox of embedded agency is a dialectical perspective where '*institutional change is understood as an outcome of the dynamic interactions between two institutional by-products: institutional contradictions and human praxis'* (Seo and Creed, 2002, p. 222*).* Human agency as praxis – a political action – plays a mediating role between institutional embeddedness and institutional change. That is, these continuous institutional contradictions transform these embedded actors into change agents where such actors do not instigate the institutional tensions themselves but rather just act upon institutional incompatibilities bringing in an institutional change. Seo and Creed (2002, p. 226) argued that there are four sources of institutional contradictions that might '*arise over long term as by-products of the processes of institutionalization*'. The first source, namely 'legitimacy that undermines functional inefficiency', refers to a conflict when an organization might opt for using suboptimal regimes in order to gain approval and legitimacy. It could be a preferred route but not necessarily technically efficient. The second source, namely 'adaptation that undermines adaptability', refers to routines embedded in a system to such an extent where they remain unquestioned due to strong isomorphic pressures and any change is resisted as it would mean a change in all inter-related elements. The third source, 'intra-institutional conformity that creates inter-institutional incompatibilities', represents a situation in which multiple institutions guide human behaviour. The adherence to one particular institution can lead to non-compliance with other institutions, which causes a conflict.

The fourth source, namely 'isomorphism that conflicts with divergent interests' refers to conflicts that arise due to different interests as the formation and reproduction of institutional arrangement cannot satisfy all the participants and might result in participants with less power being less profited in such a scenario (Seo and Creed, 2002). As a result of these institutional contradictions, that might or might not appear all together*, 'potential change agents arise, overcome the constraints of institutionalized scripts and logics of action, transcend limitations of existing institutional arrangements, and mobilize collective action for institutional change'* (Seo and Creed, 2002, p. 240).

This approach explains institutional change on the basis of dialectical perspective where human praxis, taken as a political action, arises due to institutional contradictions. The authors' state, though institutional contradictions transform these embedded actors to change agents but the '*actions of these agents are not only shaped by prevalent structures but also continuously reshaped by institutions by-product – institutional contradictions*' (p. 226) and these institutional contradictions mobilize collective action of actors to initiate change. However, these contradictions though being the motivation to drive, enable and constraint institutional change (p. 226) does not always lead to institutional change. The authors suggest that strategic compliance (where actors conform to the institutions) or resistance (where actors take deliberate action to bring change) is the logic of action in most institutional studies (p. 240) but the human praxis allows for collective action for institutional change, which is conditioned but not determined by social arrangements. It seems to fulfil the condition where it does not put unilateral emphasis on agency over structures and structures over agency as the change only occurs when actors continuously and collectively face institutional challenges. However, it focuses on the less powerful actors rather than the dominant actors whose interests are misaligned with the existing patterns but portray them as change agents only when they face continuous and constant institutional contradictions. It is also contingent to the idea that actors are abled and skilled to mobilize action, and willing to bring institutional change.

Another perspective is a nested system perspective where Holm (1995) explains endogenous institutional change by making a distinction in the actions directed by the institutions and the actions causing a change. It focuses on the interaction of processes of practices, interests and ideologies determined by institutions. The internal processes within a nested system shape the outcome of institutions through feedback processes even if external events trigger the change. He argues that institutions are '*hierarchically ordered. The institutional arrangements at one level constitute the subject matter of an institutional system at a higher level'* (Holm, 1995, p. 400). That is, institutions are both frames for action and outcomes of action (p. 398). For example, the professional soccer players who follow the FIFA rules might be unhappy and want to change the rules. So, they engage in interaction that influences the policy-making bodies to bring a change. The author calls FIFA rules as a practical mode of action and players willing to change the existing rules as a political mode of action. However, *practical and political modes are not separable (p, 418)* but the dual nature of institutions together with the feedback processes and ideologies (practices, interest) can explain endogenous change. The author demonstrates it with the case of Mandated Sales Organizations (MSO) system of Norwegian fisheries that had monopoly control over fish trade with each MSOs having different economic trade value. MSOs were created in a highly disputed process around 1930s; institutionalized in (1950-1980) but lost legitimacy during 1980s and the decline in number of MSOs was seen. The author is of the view that the rise and the decline of MSO system was due to surging ideological trends where some participants got more benefitted than others. However, these shifts in the ideological trends bringing in institutional change cannot be just explained on the basis of power element of the actors. Holm (1995, p. 416) argues that '*neither underlying power structures nor overarching ideologies are the primary explanations'* for the rise and decline of MSO system, rather it was the interconnectedness of the Norwegian fishery system with actors having different interests at different times within the sector, and at the political and international level where practices, interests and ideas interacted with each other.

This is another attempt to explain endogenous institutional change where the author describes the dual nature of institutions both as for-granted and open to change, which allows for endogenous change. And makes use of interaction of practices, ideas and interests between different actors as internal feedback processes. However, it might be difficult to empirically operationalize if '*practical and political modes are not separable'* and difficult to detangle (p, 418), argued by the author because the internal feedback processes being a part of these modes implies that it might be difficult to decouple these interaction processes from each other.

Another perspective to resolve the paradox can be considered on the basis of socially constructed world (Berger and Luckmann 1967), that '*the objectivity of institutional world is produced by humanly produced, constructed objectivity. Before being 'objectivated' (i.e. experienced as an objective reality) by human beings, institutions are produced by them'*, argued by Battilana (2004, p.4). It claims that actors, though a by-product of these institutions, also had a role in forming and shaping these same institutions before they became a norm and an objective reality such that it takes a form of taken-for-granted belief. Humans take different roles throughout their lives, and their social interactions are dependent on the type of roles they take and with whom, along with the context. That is, it is two-way path where human interactions define a society and society influences human behaviour (Berger and Luckmann 1967). Human interactions when repeated repeatedly become a pattern that is followed in the same manner afterwards, making it a norm. In other words, not only we construct our own society by our interactions, but we also accept it as others create it. For example, a university is considered as a university and not only just a building because others created it before you as a university and you also agree to it. In a sense, it exists by consensus, both prior and current.

The perspective explains change by considering dual nature of actors as by-products of institutions, at the same time actors also create institutions. However, Bhaskar (1979) contends that actors can only transform or modify if the structures are already in place. This approach stands on the shared meanings of institutions, which implies that all actors think and act alike in all situations and repeats the same patterns in any given situations. However, actors can have varied understandings of institution in any established institution (Matsushima and Urano, cited in Qin, 2014).

Another explanation is the approach taken by Giddens (1984) where both agency and structure act as complementary forces without taking extreme positions. That is, it takes a neutral stance not favouring agency over structure or vice versa. Giddens argues that agency and structure presuppose each other. Structure in Giddens is not considered outside the individual domain. That is, structure' is simply made up of rules and resources, which makes action possible. Giddens argues that social structures do not reproduce themselves; it is the agents who adopt practices that become routinized over time and space as agents carry them out over and over again and it becomes a norm. In other words, social structure is both the medium and the outcome of social action. However, the structuration theory is criticized of conflating structure and agency, as it is difficult to analyze the impact of an agent or structure (Layder, 2006 cited in Kort and Gharbi, 2013). Giddens claim of structure not being independent of agency seems to put emphasis on agent over structure. It further implies that social system is not stable as structure is supposed to continuously change through the actions of an agent (Layder, 2006 cited in Kort and Gharbi, 2013).

Englund and Gerdin (2018) offered another explanation for paradox of embedded agency by focusing on qualities of social structures as sources of embedded agency grounded in dual perspective of structure-agency relationship. The authors see social structures as '*a part of agents' knowledge of how to go on and exist only to the extent that they are continually reproduced by those agents … such reproduction is nevertheless inherently non- deterministic' (p. 7)*. Englund and Gerdin (2018) define six generic qualities of social structures in a GIAMER framework that explain how social structures are reproduced or become flexible to change. *Generality* refers to the structures that are applied to a variety of different contexts in general. The continuous adaptation of these structures to deal with the contextual changes may lead to institutional contradictions leading to institutional change over time. *Inadequacy* refers to social structures not being able to meet contextual changes that may lead to deliberate efforts directed at structural change. *Ambiguity* refers to social structures that are vague and fuzzy and do not provide concrete meanings such that they need to be deciphered and reproduced. This could lead to again intentional efforts aimed at transforming the prevailing structures. Multiplicity refers to the diverse nature of social structures, where they possess a variety of attributes, such as symbolic, normative and cultural-cognitive. The multiplicity element of these elements brings awareness to agents of the various ways of acting. In turn, this leads to negotiations, frictions, and ultimately attempts to structural change. *Embeddedness* refers to social structures that embed agents at various levels in the institutional structure. The likelihood of a change in an institutional structure is more if the degree of embeddedness is weaker and agents feel less tied to the exisitng structures.

Reflexivity refers to social structures that are prone to change depending on the ability of agents to critically reflect on their position in the institutional structure that might lead to deliberate efforts directed at institutional change. All these six different types of conditions or qualities become a precursor for an institutional contradiction on which agents act to bring change. However, this study is also grounded on the duality perspective which is criticized of giving power to agency over structure as Giddens (1984) claim that structure is not independent of agency and agency is capable to continuously change them, which implies that structure is not stable since actors are able to continuously reproduce them (Layder, 2006 cited in Kort and Gharbi, 2013).

Another view talks about explaining the paradox of embedded agency by using critical realist approach which is based on Bhaskar's aproach of critical realism (1979). The authors Leca and Naccache (2006) equated Bhaskar's stratified model of reality with institutional logics, institutions and experiences in the domains of real, actual and empirical. According to critical realism, agency and structure are two distinct but related entitles and possess *'emergent properties, casual efficiency and a previouse existence'* (p. 629). Actors act on the pre-given conditions or rather the casual power of structures and are able to either reproduce or create (requires an effort) the institutions. However, they might not be aware of all the casual powers of institutions in any given context and use logics only that they are aware of to reproduce or create institutions. Since actors cannot realize all the casual powers of the structures embedded in the context, it explains the unpredictable consequences related to institutional entrepreneurship. This perspective seems to explain the paradox of embedded agency by using a non-conflation view of structure and agency where the actors reflect on the casual powers of structures without realizing all the causal conditions associated with these structures; actors reproduce certain taken-for-granted institutions without even perceiving them as institutions. The structure and agency are irreducible to each other as the authors suggest that '*institutional entrepreneurs should not try to reach a situation of institutional dis-embeddedness that is impossible, but rather to gain knowledge of the different institutional logics that can be mobilized and their causal powers in the specific context in which they are operating'* (p. 644).These above approaches explain how institutional entrepreneurs bring change into an institutional structure when these same institutions condition them. Table 2.1 below summarizes these perspectives. However, there is no clear explanation as yet. There is still a need to unfold the paradox of embedded agency.

Table 2.1: Papers Selected for Various Perspectives of Paradox of Embedded Agency

Title	Author(s)	Key Features	Resolution
Institutional entrepreneurship in mature fields: The big five accounting firms	Green and Suddaby (2006)	- Uses network location theory and contradiction theory - Centrally embedded actors - Highly institutionalized field	Boundary bridging and Boundary misalignment encourages these actors to bring institutional change
Institutional Work in the Transformation of an Organizational Field: The Interplay of Boundary Work and Practice Work	Zeitsma and Lawrence (2010)	- New actors with new logics into a focal field - Boundary work and Practice work	Heterogeneous forms of agency: - Habitual - Practice - Projective
From practice to field: a multilevel model of practice-driven institutional change	Smets, Morris and Greenwood (2012)	- Collision of local practices - Pressure to get the deal done on time else lose legitimacy	- Practice-driven approach that occurs alongside rather than after the emergence of new practices
Legitimizing a new role: Small wins and micro-processes of change	Reay, Golden-Biddle and Germann (2006)	- Embeddedness as an opportunity rather than a constraint - Slow and gradual diffusion avoiding conflict with local practices	Micro-processes: - Cultivating opportunities for change - Fitting a new role into prevailing systems - Proving the value of the new role

Agency and Institutions: The Enabling Role of Individuals' Social Position	Battilana (2006)	- Individual-level conditions that helps to assess and recognize opportunities	Social status as an enabling condition of institutional entrepreneur
Institutional contradictions, praxis, and institutional change: A dialectical perspective	Seo and Creed (2002)	- Dialectical framework - Institutional contradiction sources - Mobilize collective action	Human agency – praxis, a political action for institutional change, which is conditioned but not determined by social arrangements
The dynamics of institutionalization: Transformation processes in Norwegian fisheries	Holm (1995)	- Nested system perspective - Actions, intentions and rationality of the actors are all conditioned by the same institutions that they wish to change.	Interaction of practices, ideas and interests as feedback processes shape the institutions
The Social Construction of Reality	Berger and Luckmann (1967)	- Social interactions when repeated repeatedly becomes a pattern - Shared understandings of institutions.	Socially constructed world where actors by-products of institutions and at the same time actors also create institutions.

The Constitution of Society: Outline of the Theory of Structuration	Giddens (1984)	- Social structures do not reproduce themselves. - It is the agents who adopt practices that become routinized over time and space as agents carry them out over and over again and it becomes a norm.	Structuration theory where structure and agency presuppose each other
Management accounting and the paradox of embedded agency: A framework for analyzing sources of structural change	Englund and Gerdin (2018)	- Social structures as a part of agents' knowledge of how to go on and exist only to the extent that they are continually reproduced by those agents … such reproduction is nevertheless inherently non-deterministic. - Qualities of social structures as sources of embedded agency.	GIAMER framework based on quality of social structures
A Critical Realist Approach to Institutional Entrepreneurship	Leca and Naccache (2006)	- A non-conflation institutional theory - agency and structure are two distinct but related entities and possess *'emergent properties, casual efficiency and a previous existence'* (p. 69)	Domain of institutional logics, institutions and experiences

Hardy and Maguire (2008, p. 213) claim that *'there are dangers in the recent groundswell of interest in institutional entrepreneurship [...], a risk that the pendulum will swing too far in the other direction'.* In other words, even though institutional entrepreneurship has helped in bringing back agency factor into the discussion by redirecting neo-institutionalism, but theorists claim that it seems that undue focus has been placed on actor's ability to create, alter and transform institutions (Lounsbury and Crumley, 2007), making them heroic figures (Meyer, 2006). Recent critics of the institutional entrepreneurship literature support that such studies have not managed to resolve the paradox of embedded agency (Leca, Battilana, and Boxenbaum, 2008). In particular, they have been criticized for relying heavily on a dis-embedded view of agency that does not take into consideration the pressures and influences exercised on agency by the institutional structures (Cooper, Ezzamel, and Willmott, 2008). Leca, Battilana and Boxenbaum (2008, p. 24) suggest, *'the intersection between agency and structure remains one of the major challenges to contemporary research in institutional theory'.*

Following the previous line of reasoning, there is a need to very carefully design the analysis without intending to honour agency over institutions or institutions over agency. Hence Garud, Hardy and Maguire (2007, p. 961) was able to put this jeopardy more clearly as '*if actors are embedded in an institutional field [...] how are they able to envision new practices and then subsequently get others to adopt them? Dominant actors in a given field may have the power to force change but often lack the motivation; while peripheral players may have the incentive to create and champion new practices, but often lack the power to change institutions.'* This still seems to be a grey area for which theorists have not been able to reach any consensus yet.

Consequently, this study attempts to shed new light in resolving the paradox of embedded agency that does not give power to agency over structure or structure over agency, explained later in the study (Chapter 4: Conceptual Framework).

2.4.2 Actors as 'Institutional Entrepreneurs'

In view of the questions raised by the 'paradox of embedded agency', it is better to identify that who can qualify as an institutional entrepreneur that will help to understand when and how an institutional entrepreneurial action takes place.

Since actors are said to be institutional entrepreneurs when they *'break away from scripted patterns of behaviour'* (Dorado, 2005, p. 388) which are considered to be dominant institutional logics (Garud, Hardy, and Maguire, 2007), and are able to develop strategies and shape institutions (Leca and Naccache, 2006). But the question arises that are all actors willing to reshape the existing logics and build new logics and what actually involves in being an institutional entrepreneur. These questions raised the issue of intentionality, which supports the fact that though there are entrepreneurs who purposively change the institutional environment to suit their goals but there are some institutional actors as well who are unintentionally contributing to institutional change even though they do not have any strategic plan to do so but can be considered as institutional entrepreneurs (Lounsbury and Crumley, 2007). For example, Muhammad Younus of Grameen Bank wanted to help poor people to get out of poverty by giving them loans without collateral. He introduced the method of micro - lending with an intention to serve poor and not setting out to create a change in the institutions, even when it gained a status of institution later in 1983. It suggests that there are institutional entrepreneurs who sometimes intentionally or un-intentionally create and shape new institutions different from the already established institutions.

Another fact which should be taken into consideration is that not all institutional entrepreneurs are successful, that is, even if they are able to change the institutional patterns with their efforts, it can roll back later due to any forces surrounding that issue in that particular context, then these institutional entrepreneurs will not be termed as successful institutional entrepreneurs (Leca, Battilana, and Boxenbaum, 2009) because a change initiated by an institutional entrepreneur should be able to sustain itself. Thus, the two factors 'intention' (agents who intentionally or unintentionally develop strategies to shape institutions) and 'success' (regardless of whether they become successful or not) should also be considered in the institutional entrepreneurship research when trying to figure that why and how institutional entrepreneurs take the initiative to change institutional arrangements.

Several studies have considered and identified different forms of institutional entrepreneurs. Typically, institutional entrepreneurs were taken as individual/collective actors (Scott, 2008) or 'organized actors' responsible for initiating change (DiMaggio, 1988). Research done on institutional entrepreneurship demonstrated both individuals

(Kraatz and Moore, 2002; Lawrence and Phillips, 2004; Maguire, Hardy and Lawrence, 2004) and organizations (Leblebici et al., 1991; Hensmans, 2003; Déjean, Gond, and Leca, 2004) as institutional entrepreneurs. Whereas Hardy and Mcguire (2008) took it one step further and categorized institutional entrepreneurs into professions (Greenwood, Suddaby and Hinings, 2002; Lounsbury, 2002; Greenwood and Suddaby, 2006); associations (Demil and Bensedrine, 2005); social movements (Lounsbury, Ventresca, and Hirsch, 2003; Rao, Morrill, and Zald, 2000; Rao, Monin, and Durand, 2003); networks (Dorado, 2005); and nation states (Scott, 2008).

2.4.3 Power in Institutional Entrepreneurship

Significant advances have taken place regarding how institutions are transformed, abandoned, and replaced. However, almost over more than two decades since when DiMaggio (1988) called to bring power, agency and interest back into the research agenda of institutional analysis, Mair and Marti (2009) claimed that the emphasis of institutional entrepreneurship is on powerful actors after a comprehensive examination of empirical studies on institutional analysis. Studies that explore institutional entrepreneurs that are not powerful actors exist, but the research emphasis in the field of institutional entrepreneurship has been more on powerful actors such as state organizations, large corporations, professional associations and the state.

Institutional entrepreneurs are actors associated with power who can influence the organizations, structures and rules. The stance that this research takes on power in institutional entrepreneurship is based on *'a property of relationships such that the beliefs or behaviours of an actor are affected by other actors or systems'* (Lawrence, 2008, p. 174). In other words, it is conceptualized not as a property of an individual to have or possess but rather as an outcome of a social process having a capability to affect those involved in that process. The relationship between institutions and power can be termed as 'bi-directional' as institutions exert pressure on actors to conform to its characteristics and some actors can have the ability to put pressure on institutions to change within which they are embedded.

The role of power cannot be underplayed due to its force, which plays a very fundamental part in making either actors conforming to institutions or institutions being changed by actors. It became a core issue in institutional theory and many theorists have highlighted this bi-directional relation between power and institutions (Jepperson, 1991; Oliver, 1991; Clemens and Cook, 1999). This institutionalized power plays a significant role in process where it is exerted by institutions on organizational actors through institutional rules, routines and norms in order to control their beliefs and behaviours. On the other hand, social actors, who use power as a relationship governance mechanism, make reference to resources in order to find recognition by other actors (Bachmann, 2002); as McAdam and Scott (2005, p. 10) also called it as *'power coded into structural designs and bolstered by widely shared cultural norms and ideologies.'*

Hence, there seems to be a constant back and forth exchange between actors and institutions through 'games of power' at both micro and macro level depending upon the situation and context. This idea of power in institutional entrepreneurship is linked to the mobilization of resources and the social position of actors who create change or modify the existing institutions (Battilana, Leca and Boxenbaum, 2008). The authors explored the importance of the mobilization of resources, claiming that these resources provide power to the actors pushing them to take the plunge to create change while on the other hand, Battilana (2006) put emphasis on the importance of the social position of actors that constitute a source of power when institutional entrepreneurs act.

2.4.4 Conditions and Factors Enabling Institutional Entrepreneurs

An important aspect that has not been explored in detail yet is, what conditions and factors make some actors act as institutional entrepreneurs and enable them to bring institutional change. Hardy and Maguire (2008) summarized the field-level conditions that provide impetus to these actors to bring about institutional change.

i) Field's uncertainty: According to this approach, the uncertainty and ambiguity in a field works as catalyst to trigger institutional entrepreneurial act to provide solutions. Increased uncertainty in the field stimulates these actors to provide solutions for their institutional environment. However, there is no certainty about the successful solution even when these actors try to come up with the logical and rational solutions, as decision outcomes can be highly unpredictable in an uncertain scenario. Since institutions are the instruments that provide structure and make actors' behaviour predictable, it seems logical that some actors could work towards this direction to decrease the field's ambiguity, assuming people want to reduce uncertainty.

ii) Tensions and Contradictions: According to this approach, tensions (Seo and Creed, 2002; Rao, Monin and Durand, 2003; Dorado, 2005; Greenwood and Suddaby, 2006) and contradictions (Seo and Creed, 2002; Rao, Monin and Durand, 2003) can exist in any scenario, even if the field is supposed to be highly institutionalized field with all actors and organization content with the institutional field. The literature suggests that there could be several institutional conflicting logics playing at a same time in any field where some actors support the dominant logics while others with their different experience can try to influence the existing arrangements when they feel that new modified logics can benefit their cause more as compared to the existing logics. Therefore, institutions are *'not homogeneous or complete …'* (Hardy and Maguire, 2008, p. 267), meaning that different logics at play at same time in the environment can cause tensions.

With regard to enabling factors for institutional entrepreneurship, the enactment of new inter-actor relations to promote change through collective action emerges as an enabling condition (Garud, Jain, and Kumaraswamy, 2002; Lawrence, Hardy, and Phillips, 2002). Since DiMaggio (1988) reference to the necessity of 'sufficient resources', the idea of resource mobilization has become significant to institutional entrepreneurship. The concept of institutional entrepreneurship revolves around altering established and embedded institutional arrangement so the act of change might be dependent on getting approval and resources from more than one single individual or an organization (cooperation from other actors embedded in the context) to bring the change in the existing institutional structure (Hardy and Maguire, 2008). Hence, it is not surprising that the institutional entrepreneurs tend to bring about change through collective action by engaging in a range of tangible (e.g. financial, organizational, etc.) and intangible (e.g. discursive, political, social capital, etc.) resources placed at their disposal. Tangible resources are merely used by institutional entrepreneurs as a leverage where they can materially reward supporters or use it against opponents. While intangible resources provide the leverage to institutional entrepreneurs to exert power and influence to legitimatize their actions regarding institutional change (Leca, Battilana and Boxenhaum, 2008).

Taking this into account, it has been suggested that institutional entrepreneurs are able to get cooperation from the actors by using unique social and political skills. Therefore, a link can be seen '*between intervention strategies that mobilizes resources, those that communicate rationales and the subsequent leveraging on inter-actor relations to get actors to participate in collective action'* (Hardy and Maguire, 2008, p. 272).

Similarly, social position of the actor in the domain is also considered as a significant enabling condition that allows change agents to bring change and mobilize resources. Researchers have investigated that how the field provide opportunity to create social positions (Battilana, 2006) which enable some actors to take action. Therefore, it is not the power which is considered to be the attribute of an actor but rather it's the power which is associated with that social position that allows them to exercise power in their field, reinforced by several studies (Leblebici et al., 1991; Rao, Morrill and Zald, 2000; Garud, Jain, and Kumaraswamy, 2002; Dorado, 2005; Battilana, 2006). Several studies showed that institutional entrepreneurial action is triggered either by dominant actors positioned at prominent social positions with power (Greenwood, Suddaby and Hinings, 2002; Rao, Monin and Durand, 2003; Greenwood and Suddaby, 2006) or peripheral actors located on the outside of that dominant position sphere (Leblebici et al., 1991; Hensmans, 2003; Lounsbury, Ventresca and Hirsch, 2003; Greenwood and Suddaby, 2006) by a variety of mechanisms suited best to their needs. Peripheral actors might want to initiate change because they are less privileged and less-connected than centre-dominant actors and also due to their position, they are more open to the alternative ideas and can try new options, as they have nothing to lose. Hence, actors' social position in the field is an important factor that influences both actors' perception of the field and their access to essential resources in order to be involved in the act of institutional entrepreneurship.

2.4.5 Institutional Entrepreneurship and Dynamic Capabilities

Drawing upon the combined theory of dynamic capabilities and institutional theory, there appears to be a dynamic interaction between an institutional entrepreneur and institutions to create change in the existing institutional structures. Mckague (2011) provided an explanation to the concept of dynamic capabilities in institutional entrepreneurship, which was left unexplored earlier (Greenwood et al., 2008). According to McKague (2011), an institutional entrepreneur in his endeavours of bringing change to the institutional arrangements can be successful if s/he understands the logics and cultural knowledge of different sectors (private sector, government, developing community) when dealing with old and new stakeholders. These actors should be able to handle the situation when disruption occurs because they have to put efforts in attempting to change often deeply held assumptions and ways of understanding the world.

Additionally, these agents should be wholly committed to the change so s/he can mobilize resources for the change and argue her/his claim rationally. That is, the decision of the institutional entrepreneur to shift the norms and values should appear rational in its appeal and logic so that there is no hesitation by stakeholders in adopting these new methods and assumptions. The audience or organizations will only show conformity to the new beliefs and will own the change if they feel that the institutional entrepreneur her/himself is devoted to the whole institutional process. And since institutional entrepreneurs have to rely on a number of stakeholders for the resources so creating local ownership of the change within stakeholders towards an unbiased agenda will help the cause to move forward and build networks.

Hence, institutional entrepreneurship is a notion which emphasizes the role of agency in creating institutional change. In other words, it provides a justification how actors leverage resources to alter existing institutional arrangements and replace them with new or modified structures when they have an interest in particular institutional conditions (DiMaggio, 1988; Garud, Hardy and Maguire, 2007). These change agents are considered to be able and willing to restructure the institutional conditions and various factors like actor’s social position (Battilana, 2006), power (Dorado, 2005) or institutional contradictions (Seo and Creed, 2002) play an important role as enabling conditions to facilitate institutional change.

An institutional change once implemented can be deemed as successful. The act of change can either be individualistic or a collective action, but it involves various players in an environment to be in agreement with the proposed change. That is, an institutional entrepreneurial activity in order to be successful goes through a chain of events/actions to acquire approval and acceptance from the stakeholders, which in return facilitates to acquire further resources. Consequently, it suggests that it has acquired legitimacy.

The next section discusses the notion of legitimacy and its meaning. It sheds light on how firms and organizations are able to acquire credibility in the eyes of the stakeholders in order to grow and survive.

2.5 Legitimacy

Legitimacy is a concept that has gained much importance in the last decade or so. The theorists not only in social and environmental accounting but researchers working in organizational and institutional studies also started to acknowledge it by linking the idea of legitimacy with organization's growth and survival.

Organizations need legitimacy. Being legitimate is fundamental for any organization's success and survival (Kostova and Zaheer, 1999) as it builds up firm's credibility among different stakeholders, giving it ability to attract employees and clients, and gain financial and public backing. An entity is considered to be legitimate when it acts as appropriate and in accordance with the widely held beliefs of the society and ultimately gains support from the key constituents. For example, the activities any society consider legitimate can include either abiding by local or international rules and standards, seeking endorsements, espousing norms and values in its domain, building management team credentials, giving evidence of industry competence, or being a low-risk venture (MacMillan, Siegel, and Narasimha, 1985; Muzyka, Birley, and Leleux, 1996; Shepherd, 1999a; 1999b). The idea of an organization being partially dependent on legitimacy, apart from conventional resources, was also reinforced by Scott (2001, p. 58) stating it, as '*organizations require more than material resources and technical information if they are to survive and thrive in their social environments. They also need social acceptability and credibility*'.

2.5.1 Evolution of the Notion of Legitimacy

The basis of legitimacy concept lies on the idea of a social contract, which defines the set of expectations that a society holds about how an organization should conduct itself. Organizations are compelled to comply by those set of rules whether regardless of explicitly or implicitly stated. As all organizations are different, there is no fixed defined strategy to attain legitimacy, which further depends on the kind of object for which legitimacy is obtained. Though this notion of social contract is not new, it has been continuously investigated in politics and philosophy literature previously (Shocker and Sethi, 1973) but has been recently embraced within organizational research. Shocker and Sethi (1973, p. 97) defined social contract as '*any social institution - and business is no exception - operates in a society via a social contract, expressed or implied, whereby its survival and growth are based on:*

i) The delivery of some socially desirable ends to society in general and,

ii) The distribution of social, an economic and political benefit to groups from which it derives its power.

In a dynamic society, neither the sources of institutional power nor the needs of its social services are permanent. Therefore, an institution must meet the twin tests of legitimacy and relevance by demonstrating the society requires it services and the groups benefitting from its rewards have society's approval.'

Since the terms and conditions of this social contract vary with different stakeholders relevant to any organization so different schemes and strategies are implied to maintain this contract. However, if the organization fails to fulfil this contract then it has to bear its consequences and the severity of these consequences depend on the nature of the shortcoming and, hence the required remedial action.

2.5.2 Theoretical Perspectives of Legitimacy

The concept of legitimacy is not confined only to organizations. Organizational practices and elements, such as rules, procedures, routines, policies, teams, status and authority structures, and even organizational forms, industries, and organizational fields, are also objects of legitimation processes (Johnson, 2004). Even though, a lot of focus has recently been placed on legitimacy literature, it still is fragmented and theorists tend to describe the legitimacy processes from different perspectives, each based on its own assumptions catering to their study and context respectively. The literature on legitimacy can be classified into five following perspectives based on the mechanisms that they emphasize.

2.5.2.1 Institutional Perspective

The institutional perspective follows the idea that rules and regulations, which form the institutions directly, influence the society judgments and organization's decision making. Its emphasis is on cognitive and evaluative institutions that penetrate into the organizations from the outside environment and structures their behaviour within a given field of activity (Meyer and Rowan, 1977). Cognitive institutions refer to wide spread beliefs and taken-for-granted assumptions that society follows without any questions asked and hesitation. While evaluative institutions refer to the rules and regulations placed by authorities, associations, and numerous organizations. These institutions impact the society verdict and ultimately the resource acquisition and its status in the society. By conforming to these values and beliefs, the organizations become legitimate in the eyes of the stakeholders, increasing their chances at survival and growth.

2.5.2.2 The Ecological and Evolutionary Perspective

The ecology perspective emphasizes the legitimacy aspect from the structural view (market, industry) and population density (i.e., the number of organizations in that particular field) of that particular context. The literature suggests that organizations entering into a context with limited density can lack legitimacy as compared to more established contexts with higher number of organizations working in that particular field. The ecological argument is that audiences can develop a clear 'form', 'schema', or 'category' for an established industry or market context (Hannan, Pó los and Carroll, 2007) – and even more so if its population of incumbent organizations has similar structures and identities (McKendrick et al., 2003). When firms enter contexts with already approved status from the society, they get legitimacy. The evolutionists follow almost the same idea for assessing legitimacy but the only main difference between ecologists and evolutionists perspective is that ecologists have studied or tend to study legitimacy as a single dimensional element of organizations (taken-for-granted-ness) while evolutionists tend to treat legitimacy as a multi-dimensional phenomenon with regulatory, cognitive and normative/moral dimensions (See Section 2.5.10).

2.5.2.3 Cultural Entrepreneurship Perspective

This aspect clearly uses the 'cultural agency' mechanism to build legitimacy for organizations. Entrepreneurs use their cultural tools such as stories to mobilize resources as it can discursively create novel, yet legitimate identities because stories can '*selectively distill a complex jumble of otherwise ambiguous and contradictory activities . . . into a simplified and relatively coherent portrait'* (Lounsbury and Glynn, 2001, p. 549). Since most of the start-ups or even already established organizations venturing into new arenas lack proven track records, obvious asset value, and profitability, these stories can help in explaining and rationalizing and promoting a new venture making these ventures look as legitimate, to reduce ambiguity which is typically associated with new forms of organizations or new start-ups (Aldrich and Fiol, 1994). Stories that are told by entrepreneurs about a new venture can lead to favourable interpretations of venture's wealth creating possibilities and enable resources to flow to the new enterprise smoothly. Cultural mechanism is simply entrepreneurs' competence to '*innovate upon received cultural categories and conditions of action in accordance with their personal and collective ideals, interests, and commitments*' (Emirbayer and Goodwin, 1994, p. 1442).

2.5.2.4 Symbolic Management Perspective

Another perspective, which serves to guide legitimacy for nascent organizations, is symbolic management tactics where entrepreneurs use symbolic actions to demonstrate their legitimate status to the prominent stakeholders for resource acquisition or to the society for their organization's general acceptability. Zott and Huy (2007, p. 70) defined symbolic action as '*an action in which the actor displays or tries to draw other people's attention to the meaning of an object or action that goes beyond the object's or action's intrinsic content or functional use'.* For example, the office address of any organization at a prestigious location does not only serve the purpose of space where people work but a prestigious office address could also symbolically suggest prosperity and high status (Oldham and Rotchford, 1983). Sometimes, it also involves the use of flattery or the doing of favours for the audiences to keep the attractiveness and legitimacy of both the NV promoters and their ventures (Nagy et al., 2012). The symbolic dimension of an entrepreneurial action refers to induce meanings that people infer about objects on the basis of shared meanings. This perspective involves constructing of favourable and legitimate image of an organization which could entail highlighting certain aspects such as conveying entrepreneurs' personal credibility, professional organizing, organizational achievement and the quality of stakeholder relationships (Zott and Huy, 2007) as strong points, and downplaying or hiding of other less beneficial aspects (Elsbach, 2004). In other words, it can be used to deviate attention away from certain facts in the direction of others in order to gain resources when entrepreneurs do not want to expose negative aspects of their business.

2.5.2.5 Resource Dependency Perspective

Depicting legitimacy as a resource would fall in accordance with generating competitive advantage capability of RBV (Barney, 1991). Legitimacy does not only affect how individuals act in relation to organization but also how they perceive it. When perceived as legitimate, a venture is likely to be viewed as more meaningful, predictable and trustworthy (Suchman, 1995) by its audience. Therefore, legitimacy can be regarded as a valuable resource if considered under the traditional criteria of RBV, which gives further access to other resources. In this sense it acts as a meta-resource (a resource that gives access to other resources) (Teece, Pisano, and Shuen, 1997). Legitimacy helps to create economic value (Oliver, 1997; Lounsbury and Glynn, 2001) and is hard to imitate due to its property of accumulation process and path-dependence conditions and its uniqueness to each organization. It is not necessarily rare but may become so in specific contexts for a certain period of time, particularly if tied in with other exclusive resources the firm may have.

Therefore, the multifaceted character of legitimacy implies that it will differ in different contexts and how it operates will also depend on the nature of the problem for which the solution is obtained.

2.5.3 Definitions of Legitimacy

Over the years, social scientists have offered a number of legitimacy definitions, with varying degrees of specificity according to their research content but so far, there is no consensus on one definition yet. In one of the earliest organizational studies, Maurer (1971, p. 361) defined legitimacy as, '*legitimation is the process whereby an organization justifies to a peer or superordinate system its right to exist*.' But since the late 1960's, the researchers have re-conceptualized organizational boundaries (Scott, 1987), and institutional theorists (DiMaggio and Powell, 1991) have stressed that cultural norms and other environmental dynamics have a profound effect on organizations, and legitimacy lies at the core of this concept which constrain, construct and empower organizational actors.

Pfeffer and his colleagues (Dowling and Pfeffer, 1975; Pfeffer and Salancik, 1978; Pfeffer, 1981) retained the emphasis on the evaluation perspective of legitimacy but stressed on the conformance to the cultural strcutures.

In this view, legitimacy signifies '*congruence between the social values associated with or implied by organizational activities and the norms of acceptable behavior in the larger social system*' (Dowling and Pfeffer, 1975, p. 122). Berger et al. (1998, p. 380) define legitimacy as a '*process by which cultural accounts from a larger social framework in which a social entity is nested are construed to explain and support the existence of that social entity, whether that entity be a group, a structure of inequality, a position of authority, or a social practice*' which also points towards the broader set of beliefs and norms as a key to being legitimate regardless of the level of analysis. Organization ecologists define legitimacy by taking its cue from Weber's definition. They find legitimacy as a taken- for-granted status and state that its level is low in the beginning as it is based on the support from the community and resources. After acquiring and reaching a certain level, also referred to as legitimacy threshold, organizations just have to maintain it.

From a resource dependence perspective, legitimacy serves as a resource for acquiring other resources, which helps to overcome the liability of newness of new ventures. From an institutional point of view, Meyer and Scott (1983) described legitimacy as stemming from congruence between the organization and its cultural environment. They defined legitimacy as '*the degree of cultural support for an organization—the extent to which the array of established cultural accounts provide explanations for its existence, functioning, and jurisdiction, and lack or deny alternatives*' (Meyer and Scott, 1983, p. 201) and further emphasizing on the cognitive aspect that '*a completely legitimate organization would be one about which no question could be raised*'. Since Scott (1995, p. 33) defines institutions as '*consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior*' and similarly, Greif (2006, p. 30) defines an institution as '*a system of rules, beliefs, norms and organizations that together generate a regularity of (social) behavior*' so it can be inferred from these definitions that institutions are social practices which are self-enforcing and hold the society together, and provide a platform for these entities to become legitimate by following these guidelines set by their institutional and cultural context.

Thus, institutional theorists consider an entity to be legitimate if it is accepted in its social context by the environment. Stinchcombe (1965) refers to legitimacy as an antidote for the new venture's liability of newness. Whereas Starr and MacMillan (1990) refer to legitimacy, as a critical ingredient for new venture success. In other words, any organization or business unit which has a past record of successful performance passes easily through a scrutiny process of obtaining legitimacy and gets legitimated and gains support from its stakeholders but, in case when an organization is new-born and has no history on its credit then it has to overcome the liability of newness. However, these researchers focused more on the cognitive aspect than the evaluative side, in other words, organizations are legitimate when they are understandable, rather than when they are desirable. This concept of legitimacy where it is accepted without any questions asked, is termed as taken-for-granted-ness, which is considered to be a main element by neo-institutionalists on the views of legitimacy.

Suchman (1995, p. 574) provided a definition that encompasses all these concepts but on a broader level and defined legitimacy as, *a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions'.*

Legitimization is typically categorized into internal and external legitimacy where internal legitimacy can be referred to as market, scientific, historical and locational resource, and external legitimacy can be taken as association with the alliances (Rindova, Pollock and Hayward, 2006). A firm can gain external legitimacy by forming an alliance with an established entity (Gans and Stern, 2003). Such an alliance can provide access to the capabilities and resources needed for successful product introduction. This can include again marketing, scientific, and financial resources, as well as shared learning and skills (Swaminathan and Moorman, 2009). Secondly, forming an alliance with an established entity carries its own endorsement that the new venture and its product have potential in attracting a larger, better-known organization. Thus, an alliance can work as a legitimizing force that helps a new venture in overcoming stakeholder's reservations about start-up's capabilities and inexperience.

As mentioned earlier, a firm can attain internal legitimacy through historical, scientific, market or locational resource. If a firm has prior history of successful launching of its products and services, then it would increase the likelihood of its future success. A firm can attain scientific or market resource by assigning leading roles to people with R&D, market or management experience which conveys the message to stakeholders that the firm has a capability to invent new products and the talent to market its products successfully. Another way for a firm to gain internal legitimacy is through by placing itself in a cluster of related firms which could give it access to specialized skilled labour and new technical and market knowledge, conveying a message to stakeholders about its appropriateness and potential. Whereas entrepreneurs who are unable to attain legitimacy are not likely to get access to means and resources needed for survival and growth (Aldrich and Fiol, 1994).

2.5.4 Legitimacy and Institutionalization

Legitimacy is considered to be one of the main concepts in institutional theory and is regarded similarly as institutionalization where organizations are supposed to act in sync with the rules and norms of the context as they assume a taken-for-granted status. Legitimacy has been argued to improve organizational effectiveness even if it does not improve organizational efficiency.

Institutionalization and legitimacy are almost one and the same thing, being two sides of a same coin, making it very difficult to separate these two constructs from each other. At one end, institutionalization is an outcome of a process, and at the other end, it can be taken as a complete process itself (Colyvas and Jonsson, 2011). An entity becomes institutionalized when it seems to fulfill two conditions, that is, when it has the capacity to have a taken-for-granted status (a particular variant of legitimacy, which institutional theorists term as cognitive legitimacy) and to maintain itself at a particular legitimate level not falling below it (a capacity distinct from legitimacy). Thus, legitimacy is a necessary but not a sufficient condition for reaching the outcome of institutionalization. That is, an entity can be said to be legitimate but not institutionalized if it is not able to uphold and sustain itself (Jepperson, 1991). Therefore, it can be inferred that legitimation (the acquisition of legitimacy) is only one component of the process of institutionalization.

In addition to this, it should be taken into consideration that the environment is segmented into different forces, namely, regulatory, social, technological and industrial with further classification of local, regional, national and international markets and since no two organizations are similar, the forces and issues faced by the organizations would be dissimilar as well. So, the organization has to rely on a particular mix of contextual forces, which serves its purpose best for survival and growth. And further, the key constituents for every organization would be different as well depending on the nature of problem and their context because it incurs costs building legitimacy and new ventures have limited resources in their early stages. Since it is not possible to satisfy every key constituent so an organization requiring legitimacy has to decide to focus on the main stakeholders which can provide greatest payoff that cost little or no money (e.g. endorsements, certifications and networking) so that it can indulge in other actions productive to its expansion and growth.

2.5.5 Individual-level and Collective Legitimacy

As important it is to critically distinguish legitimacy from institutionalization, it is equally essential to understand the difference between individual-level and collective level legitimacy. Weber (1978, cited in Tost, 2011) was one of the early theorists who made a reference to collective construction of social reality where social elements of a society are in synchronization with norms, values and beliefs that individuals presume to be widely shared regardless of their own personal agreement to the same beliefs. According to Weber's theory, an entity is considered valid when it satisfies the following *'(1) the norms, beliefs, and values that guide the social order are perceived as legitimate by some people, and (2) even those people who do not perceive the order as legitimate at least know that others perceive it as legitimate and understand that it governs behaviors*' (Tost, 2011, p. 689). For example, people follow the group consensus about the appropriateness of an entity even if they themselves do not view it as appropriate and will allow governing their behaviour. Dornbusch and Scott (1975), then, introduced the concept of propriety and validity based on Weber's definition. According to them, propriety is an actor's belief that a social order's norms and procedures of conduct are desirable and appropriate patterns of action. It refers to an individual's personal judgment whether an entity is appropriate or not for its social context. Validity, in contrast, is an individual's belief that he or she is obliged to obey these norms and procedures even in the absence of personal approval of them. And the views of others in the social context enhance the validity of rules.

Ridgeway and Berger (1986) suggested that individuals tend to have referential beliefs about different categories of people, entities or organizations and places them at different levels influenced by hierarchies in society. The authors argue, when such a situation involving an influential actor or organization occurs, it creates implicit expectations for both the main actor and others present as in how the influential actor should be treated. And the status order becomes legitimated if others either respond in kind or do not contradict the behaviour. In other words, it is implicitly expected from the widely shared beliefs and values surrounding a society that what type of reaction is likely to occur in any given situation. Whereas, the organization literature especially points both to implicit and explicit processes by which organizations receive legitimacy (Scott, 1995). That is, various actors when they unveil new types of organizations, first initially propose what they deem to be legitimate by explicitly taking charge and mentioning new schemas and patterns. Firms often encounter conflicting institutional demands when they make an entry to a market for the first time (Pache and Santos, 2010) so there is a possibility that those judged to be legitimate by one group can be judged illegitimate by others. Thus, this stream of research shows that the implicit nature of legitimacy at one point in time is built upon initially explicit roots.

The process of legitimacy also involves the power relations associated with actors which helps in making that particular act or entity legitimate in the eyes of the concerned parties (Rojo and Van Dijk, 1997). The legitimation process is seen either as 'top-down' or 'bottom- up' approach. The authors Rojo and Van Dijk (1997) defined it as '*the (dominant) group or institution seeking to legitimate itself through approval from the dominated, and the dominated group legitimating the dominant group or institution through various forms of more or less active agreement, acceptance, compliance or at least tacit consent*' (p. 528).

As a result, legitimacy judgments vary across actors. Individuals' judgments and perceptions coalesce to guide those assessments while legitimacy is ultimately a collective-level phenomenon. Tost (2011) called these judgments to be active or passive following almost the same guidelines of the concept of propriety and validity. The two modes differ with respect to the sources of information used, extent of cognitive effort employed, and effects on the legitimacy judgment reached. In the passive mode, individuals use cognitive shortcuts based on readily available information. In the active mode, individuals' judgments are based on effortful evaluations. Such differences produce legitimacy judgments that differ based not on the institutional appropriateness of firm actions, but on judgments triggered by different legitimacy cues. As a result, legitimacy conflicts can emerge.

As aforementioned, there are number of legitimacy definitions given by various theorists but all these definitions share the similar notion that legitimacy is a collective process and individuals follow the already established social norms and seem to validate it even if they themselves are not in total harmony with these norms. It can be argued that Moreover, legitimacy has both a cognitive dimension that considers the object as a valid, objective social feature and a normative dimension that represents the social object as right.

2.5.6 Isomorphism Legitimates

One element that stands out in institutional theory is that isomorphism legitimates (Deephouse, 1996). Isomorphism is a concept dealing with organizations which follow similar structures, strategies and processes and present a united approach overall. And legitimacy is considered to be the end-product of this process. This isomorphism plays an important role in gaining legitimacy because organizations tries to imitate values and norms set by other organizations or rules laid out by associations or some other networks when there is uncertainty in the environment. That is, an organization that follows the institutional patterns of a society is not subjected to any evaluation but rather, is accepted readily unchallenged which is a case of cognitive legitimacy (Greif, 2006).

In a way, regulative legitimacy is similar to cognitive legitimacy as it involves the conformance of entities to rules and regulations which prevents any questions raised in terms of its suitability when entities adhere to said rules and norms. A study done by Deephouse (1996) demonstrated that isomorphism in commercial banks is positively related to legitimacy. He tried to examine whether isomorphism in strategies is related to legitimacy by defining organizational isomorphism as '*the resemblance of a focal organization to other organizations in its environment*' (p. 1024) and maintained his focus only on bodies like government, associations and the media in his study as legitimacy is granted by social actors and not all actors have the authority to confer legitimacy. He found the positive relationship between strategic isomorphism and regulators and media.

Similarly, a study done by Glynn and Abzug (2002) showed that organizations that carefully select names by keeping it within the conventional structures and styles within their institutional field greatly benefit from more legitimacy. This also holds true for emergent institutions that are formed by being not too divergent with the existing institutions. Such institutions are less likely to go through a vigorous evaluation process that indicates gaining resistance to questioning, which is cognitive legitimacy (Henisz and Zelner, 2005). In other words, '*isomorphism legitimates because it leads to the absence of questions or challenges and thereby holds substantive, content-based evaluation at bay'* (Tost, 2011, p. 693).

2.5.7 Classification of Legitimacy

The concept of legitimacy is still fragmented; however, it is distinguished into two streams – strategic legitimacy and institutional legitimacy respectively. According to theorists, the strategic approach usually adopts the managerial perspective and emphasizes ways in which '*organizations instrumentally manipulate and deploy evocative symbols to garner societal support'* (Suchman, 1995, p. 572). Legitimacy thus helps in a long run by providing society's approval and resources needed to survive. '*The social acceptability that comes with legitimacy may be more important than economic viability*' (Pfeffer and Salancick, 1978, p. 194). Since it's been advocated for long that an organization's environment where it acts as an access to resources, also poses a threat, so these organizations engage themselves in a legitimacy activities to defend themselves against such threats (Dowling and Pfeffer, 1975; Suchman, 1995; Woodward, Edwards and Birkin, 1996; Brown and Deegan, 1998). As such, organizational legitimacy becomes a strategic resource on which the organization's survival depends. The strategic approach is more instrumental and active as compared to institutional approach and derives its phenomenon from resource-based theory and stakeholder theory. Thus, the organization's resistance depends upon the effort put by an organization to manage its environment, which holds it crucial resources for survival. The strategic perspective considers legitimacy as an operational resource (Dowling and Pfeffer, 1975; Pfeffer and Salancik, 1978, Suchman, 1995) to get further resources for organizational pursuits.

While institutional approach adopts a more detached stance. It views legitimacy as a set of external institutional beliefs that penetrate an organization in every respect (Suchman, 1995). The institutional approach describes organizational legitimacy as *'a continuous and often unconscious adaptation process in which the organization reacts to external expectations'* (Palazzo and Scherer, 2006, p. 73). Organizational dynamics are the result of social norms, beliefs, rituals and other symbols (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). Organizational members, particularly managers try to conform to the institutional patterns to ensure organizational legitimacy and survival (Meyer and Rowan, 1977). Aldrich and Fiol (1994) suggested that external forces (coercive, mimetic and normative) have a strong impact on organizations making them comply with already established rules and regulations. They elaborated that coercive processes stem from governmental regulations, mimetic processes occur when organizations imitate and adopt the system of existing institutions in their field and normative processes are at play when managers follow recognized practices. Organizations who follow these socially constructed norms and beliefs are able to gain legitimacy (Suchman, 1995). In sum, '*institutional theory views the pattern of the established institutions as the symbolic representation of the social value system*' (Chen and Roberts, 2010, p. 656), and legitimacy can be gained by conforming to these institutional patterns. Therefore, the potential to manage legitimacy with institutional approach is limited (Suchman, 1995) as organizations can resist adaptation only under certain conditions (Oliver, 1991).

The strategic approach, thus, treats legitimacy as an operational resource (Suchman, 1995), which can be managed and directly influenced by the corporation. Similar to the institutional approach, the strategic approach draws attention to how external actors may act as gatekeepers to key resources and legitimacy, thereby constraining organizations to behave in certain ways. This approach has been integrated with institutional approach to define the rationale when organizations make decisions, not fully congruent with the institutional values, based on the compelling resource. As sometimes organizations have to manage their decisions based on the importance of the stakeholder's positions determined by power, legitimacy and urgency of the claim and the levels of these attributes. And these stakes can shift if there are sudden shifts in the context or on the requirement of that decision which makes it temporal and dynamic in its nature.

But the limitation of these theories is that the strategic approach is overly focused on pragmatic legitimacy, assuming that corporations have the power to strategically influence their societal context and manipulate the process of legitimacy. The strategic approach sees legitimacy as something that is deliberately pursued or ignored by subordinate actors. The institutional approach takes cognitive legitimacy as a reference. It seems to be defined in the context of governance structures with homogeneous cultural backgrounds and shared norms and beliefs without taking the dynamic nature of contexts and different cultural backgrounds into consideration.

2.5.7.1 Legitimacy can be manipulated

Legitimacy cannot be taken or adopted by itself, rather it is a property which is granted by the stakeholders who could be financiers, employers, consumes, suppliers or government authorities, depending upon which type of legitimacy is required. Since legitimacy plays an important role to overcome the liability of newness that new enterprises face and helps to gain further resources from the stakeholders. But some researchers are concerned that entrepreneurs might try to misrepresent the information because stakeholders have usually no way of getting the inside information about new ventures and have to rely on the evidence communicated to them by the entrepreneurs as this manipulation might increase the chances of their survival. The most common stakeholders who could be important in the beginning of any start-up journey are financiers. Financiers usually try to dig up the social ties to get information about the new ventures but sometimes start-ups have no noticeable social ties so stakeholders have to rely solely on the information provided by the entrepreneurs. Similarly, customers consider a firm legitimate if it has a good standing in the society and its products are reliable, but this type of legitimacy is not achieved in a short span of time and entrepreneurs might be tempted to use tactics to distort the information to gain legitimacy which gives them time for survival and make amends along the way in case of any mishaps as customers are far more likely to purchase products and services from firms that they perceive to be legitimate.

2.5.8 Legitimation Process

Legitimacy is incorporated in various literatures and different typologies of legitimacy have been presented but so far, there is not any validated process of legitimacy mentioned that how it is acquired. However, Johnson et al. (2006) has successfully attempted to explain that how new schemas and new patterns become widely acknowledged into the wider environmental context in a form of a process and categorizes it into four phases, calling it as innovation, local validation, diffusion, and general validation respectively.

Innovation: According to the Johnson et al. (2006), a social innovation is created to address some need or desire of the field. It could be new ways to produce, market or create new processes that are linked to the prevailing institutional arrangements.

Local Validation: Actors justify it by how it meets the immediate needs or desires in a situation consistent with the wider beliefs, which authorizes it as local validation.

Diffusion: So, a new pattern is emerged as a suitable way of doing thing that complies with the wider beliefs. And once this new pattern is locally accepted, it may be diffused into other contexts. Because innovation is now taken as a valid social fact, it is adopted more readily and needs less justification to get validated outside its local context.

General Validation: Over time, as a result of the diffusion of the new social object across contexts, actors eventually take on the belief that the innovation is acceptable and becomes generally validated.

The whole process of acquiring legitimacy is aimed at making an organization fit with the wider environmental values and beliefs. It involves a radical/incremental change in any organization's structure or beliefs to make it acceptable and in sync with the social practices widely believed and shared by the society. And the use of symbols for portraying legitimacy is used much for the rationalizations for the organization's existence rather than as guidelines for internal organizational functioning.

Though as important it is to acquire legitimacy, the process that involves the entire system of operation and output cannot be ignored, as it is as significant and vital as the goals and domain of any organizational activity. One such failed example of such organizational activity was one of the pharmaceutical firms that used pigeons for picking out the defective pills from the manufactured batch of pills, though the method was inexpensive, but it didn't hold any reliability and accuracy, so it never got implemented (Dowling and Pfeffer, 1975). Similarly, a cigarette as an output of an organizational activity is not considered as a legitimate output because of its associated potential health hazards.

Though the process of acquiring legitimacy appears as a task for organizations but it inclines to rationalize organizational behaviour with respect to the environment, operating as a resource. On the other hand, it also tends to act as a constraint on organizational behaviour by forcing it to conform its values to the external environment. However, if organizations are relying more on social, political and environmental support then engaging more heavily in legitimating their organizational behaviour can make these organizations more visible in the eyes of the community. For example, organizations looking for corporate socially responsible (CSR) status usually try to be active in charities and social movements that might also help to gain some economic benefits or other resources. Therefore, it should be kept in mind that though legitimacy acts as a resource or a constraint on organizational behaviour, at the same it is a dynamic in nature that changes as social values, which define legitimacy, change. '*Community expectations are not considered static, but rather, change across time thereby requiring organizations to be responsive to the environment in which they operate. An organization could, accepting this view, can lose its legitimacy even if it has not changed its activities from activities which were previously deemed acceptable (legitimate)'*, as argued by Deegan, Rankin and Tobin (2002, p. 319-20).

2.5.9 Legitimacy Threshold

Since it's been proven that '*legitimation is the process whereby an organization justifies to a peer or superordinate system its right to exist, that is to continue to import, transform, and export energy, material, or information*' (Maurer, 1971, p. 361), that is, when an organization is successful, it points out the fact that legitimacy exists but looking at the progress of organizations retrospectively does not shed light on how organizations acquired legitimacy to survive and grow. Rutherford and Buller (2007) claimed that there has to be certain kind of threshold for legitimacy, which can indicate the successful survival of an organization and beyond that point, the organization can achieve further legitimacy and resources. For instance, an organization moving from the 'existence' to the 'survival' stage (Lewis and Churchill, 1983) implies that it crossed a point beyond which image of the new organization is less uncertain. Below a certain point, an organization has very little or no legitimacy and is likely to termed as a failed venture if it is not able to move beyond that point.

Generally, scholars and researchers focus on already established or successful organizations, which have attained a certain level of legitimacy because of their sustained profitability. However, legitimacy plays a more crucial role in the early years of any organization before it begins to generate return. There is no tool yet to quantify the level or amount of legitimacy that an organization has achieved to gauge the status of that organization. However, if it crosses that particular point then it has better chances to further build its legitimacy through proactive steps. As Terreberry (1968) suggested that if there is a smooth flow of resources then an organization can be considered to be at a level where it is believed to be legitimate. However, Dowling and Pfeffer (1975) suggested that it is not possible to assess solely on the basis of adequate amount of economic resources whether an organization is legal or not. Rather, if the prevalent values and norms of a society are reflected in a day-to-day organization's running and its activities then it can be accepted as a legitimate entity.

The concept of a legitimacy threshold thus combines the dichotomous and the continuous views of legitimacy. An organization must achieve a base level of legitimacy that is dichotomous-it either does or does not meet the threshold. From the base it can strategically increase its level of legitimacy and, in so doing, increase its access to the resources necessary to grow. For instance, it is often the case allegedly that prestigious members of a board of directors increase new venture's legitimacy. Furthermore, a new venture can build higher levels of legitimacy by adding top managers with experience, education, and/or other credentials to access capital (Deeds, Mang and Frandsen, 1997; Zimmerman and Deeds, 1997). The education, experience, and credentials of the top managers indicate the potential success of the new venture (Chaganti, DeCarolis and Deeds, 1996) regardless of the fact whether organization's effectiveness has been proven or not. However, it is difficult to judge what constitutes the construct of legitimacy threshold and most probably is unique to each venture as the strategy mix for acquiring legitimacy for each venture varies depending upon their context.

2.5.10 Sources and types of Legitimacy

Legitimacy is one of the key concepts in institutional theory. Strategic theorists have always tended to look at the obvious gap between the firm and society's expectations when a firm comes up in the market (Tilling and Tilt, 2010). Legitimacy-seeking behaviours are prevalent and inevitable because it reduces the need for cognitive processing, as institutional values, norms, and myths get taken-for granted. Firms have been seen to use different legitimation tools to gain acceptance from the society. For instance, an adequate number of firms were seen to use environmental disclosures between 1988 and 1991, which was positively associated with the increase in membership of environmental groups (Deegan and Gordon, 1996). Another form, which has been used by organizations, is co-optation in which various political leaders or other persons of legitimate status are brought onto the organization's governing board.

Thus, within the analysis of legitimation sources and strategies, different types of legitimacies come into view which according to some authors, some are more difficult to achieve and might take longer (Suchman, 1995). So far, different typologies regarding types of legitimacies have been presented by different theorists, which they have constructed according to their research respectively (e.g. Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Aldrich and Fiol, 1994; Scott, 1995; Suchman, 1995) but still a lack of standardization is present due to '*over-proliferation of types*' (Suddaby, Bitektine and Haack, 2018). Table 2.3 shows the legitimacy typologies available in the extant literature.

Table 2.2: Legitimacy Typologies in Extant literature

Legitimacy Typologies	References
• Pragmatic legitimacy (based on self-interested calculations) • Moral legitimacy (based on normative approval) • Cognitive legitimacy (based on taken-for-grantedness)	Johnson & Holub (2003), Zyglidopoulos (2003)
• Internal legitimacy (with organization's insiders) versus • External legitimacy (with organization's external constituents)	Kostova & Roth (2002), Kostova & Zaheer (1999)
• Cognitive legitimacy (based on taken-for-grantedness) • Pragmatic legitimacy (based on self-interested calculations)	Foreman & Whetten (2002)
• Managerial legitimacy (based on efficiency logic) versus • Technical legitimacy (based on technology, quality, and qualifications)	Ruef & Scott (1998)
• Moral legitimacy (moral approval of most members of society) versus • Pragmatic legitimacy (based on self-interest)	Barron (1998)
• Media legitimacy (equated with legitimacy with the general public) • Regulatory legitimacy (legitimacy with government regulators)	Deephouse (1996)
• Procedural legitimacy (based on soundness of procedures) • Consequential legitimacy (based on the evaluation of outcomes) • Structural legitimacy (based on the evaluation of the organization's structure) • Personal legitimacy (based on the charisma of leaders) • Pragmatic legitimacy (based on self-interested calculations) • Moral legitimacy (based on normative approval)	Suchman (1995)
• Cognitive legitimacy (based on taken-for-grantedness) versus • Sociopolitical/evaluative legitimacy (based on existing norms and laws)	Aldrich & Fiol (1994), Golant & Sillince (2007)
• Sociopolitical regulatory legitimacy (= regulative legitimacy, based on existing norms and laws) • Sociopolitical normative legitimacy (= normative legitimacy, based on existing rules and laws) • Cognitive legitimacy (based on taken-for-grantedness)	Scott (1995), Zimmerman & Zeitz (2002)

Adopted from Bitektine (2011, p. 154)

However, most empirical studies appear to use Scott or Schuman's typologies (e.g. Zimmerman and Zeitz, 2002; Lamberti and Lettieri, 2011; Pollack, Rutherford, and Nagy, 2012; Díez-Martín, Prado-Román, and Blanco-González, 2013). The main difference is found to be around regulative and pragmatic legitimacy aspect. The first usually is more focused on the rules and regulations while the latter is focused on the interests of the evaluators. There is not much divergence found how moral and normative legitimacies are evaluated and can be considered to be treated almost in the same way while both legitimacy typologies agree on the cognitive dimension and its meaning.

The following section discusses commonly used types of legitimacies in detail.

2.5.10.1 Regulative Legitimacy

Regulative legitimacy as defined by Scott (1995) ((also known socio-political regulative legitimacy by Hunt and Aldrich (1996)), relates to the rules and regulations, standards and guidelines which are mainly set by the government, associations and different professional bodies working in their relevant domains. These government and professional bodies make sure that these guidelines are being followed properly by these organizations making them legitimate, else if discrepancies are found then these bodies have the authority to put sanctions to make the system more regulated and fairer to everyone. Addressing these standards provide legitimacy for the organizations among a wide variety of stakeholders (Singh, Tucker, and Meinhard, 1991; Scott, 1995; Deephouse, 1996). It gives a sense of recognition to the organization that it is being a 'good citizen' by conforming its internal structure and beliefs to the wider system beliefs. Legal requirements may be seen as providing the explicit terms of the social contract (Gray, Owen and Adams, 1996). For a corporation to manage legitimacy effectively, it must not only identify its audiences but also understand their social and environmental values and their perceptions of the corporation (O'Donovan, 2002).

Though, regulative legitimacy is equivalently important to the already established entities, but it plays a fundamental role in establishment of the new ventures. It provides the basis for its existence from where organizations move forward from survival status to the path of growth. Organizations that conform to the strategies used by other organizations are recognized by regulators and the general public, as being more legitimate than those that deviate from normal behaviour. Resonance with relevant rules or laws is an important facet of legitimacy (Ruef and Scott, 1998). The main idea of regulative legitimacy is to convey to stakeholders that even though little is known about the new venture capability to run effectively but an organization is fit to operate in the environment, as it's being approved by various regulative agencies and considered legitimate.

2.5.10.2 Normative Legitimacy

Normative legitimacy (Scott, 1995), also known as socio-political normative legitimacy (Hunt and Aldrich, 1996) is derived from the values and norms that a society believes in. The goal is to make these values and beliefs congruent with the organization's beliefs. Normative legitimacy is almost similar to moral legitimacy (Suchman, 1995) which associates itself with '*the right thing to do'* with respect to the normative beliefs of the environment. An organization establishing a stance by addressing expected and desirable norms and values, for example, endorsements, fair treatment of employees or profitability demonstrates normative legitimacy and has access to resources (Selznick, 1996). Since normative legitimacy is defined by the audience perceptions of socially constructed value system and relates to the society welfare in general so normative ideas seems to be more resistant to the outside manipulations or self-interested influences of stakeholders.

Normative legitimacy can be measured at different levels in an environment or in an industry depending upon the nature and level of legitimacy required. Economists ask organizations to have rationality on cost-benefit scenario while institutional theorists ask organizations to be fair in dealing with institutional patterns in and out of the organization on a much broader scale. Professional norms also arise within each professional specialty, such as norms pertaining to personal behaviour and group affiliations (DiMaggio and Powell, 1983). For example, accounting firms hire staff with certain certifications specialized in their fields. Similarly, an endorsement is a great way to gain normative legitimacy, for example, the already established organizations give their vote of confidence either by giving favourable opinion in media or show their inclination to do business with them, also known as networking, establishing their status with the concerned parties (Aldrich and Fiol, 1994; Deeds, Mang and Frandsen, 1997).

Such networks (ties between new venture personnel with prominent individuals, organizations or associations outside the firm) are considered to support the new entrepreneur with its creditability, rationality and facilitating the start-ups to gain resources required for their endeavours and means to mitigate the '*liability of newness of new ventures'* (Sinchcombe, 1965). Thus, the new venture 'piggybacks' on the legitimacy of the established organizations (Starr and MacMillan, 1990). The key idea to the concept of normative legitimacy is to make one values and morals in consistent with the widely shared ideas and concerns of the society.

2.5.10.3 Cognitive Legitimacy

Cognitive legitimacy relates to the actions that simplify the understanding and decision making in solving the problems. Cognitive legitimacy is derived from internalizing a belief system designed by experts and professionals where knowledge is specified and codified that ultimately gives a stance of taken-for-granted-ness for daily routine and more specialized activities (Scott, 1995). The prevailing cognitive framework prescribes how to view the world and what actions are effective. Although neo-institutional writers conceptually differentiate between cognitive and normative legitimacy, it is difficult to empirically distinguish between the two types (Zeitz, Mittal, and McAulay, 1999).

A venture or an organization is considered to be appropriate and legitimate when it is perceived to follow commonly accepted beliefs and ideas considered desirable by the environment or stakeholders of that particular activity (Scott, 1995; Zimmerman and Zeitz, 2002). This type of acceptance from the society is based on the taken-for-granted status rather than the interest or judgment-based (Aldrich and Fiol, 1994). According to Aldrich and Fiol (1994, p. 648), '*the highest form of cognitive legitimation is achieved when a new product, process or service is taken-for-granted'.* Some researchers have tried to test it empirically to test the importance of cognitive legitimacy. For example, Deeds, Mang and Frandsen (2004) demonstrated the positive role of cognitive legitimacy in attracting resources for new technology ventures. Choi and Sheppard (2005) showed that stakeholders are more likely to vote for organizations, which are considered to be cognitive legitimate. Furthermore, Nagy, Pollack and Rutherford (2012) proved the positive impact of cognitive legitimacy in getting funding by various entrepreneurs in entrepreneurial contexts. The basic idea to cognitive legitimacy is that an organization does possess capabilities to perform efficiently and provide what is needed or desired from it.

It can be inferred from these sources of legitimacy that all these legitimacy types emphasize conformity, where regulative being the most operative one for any venture trying to acquire legitimacy whether it being a new start-up or an already established organization. Though regulative legitimacy is derived from the conformity with rules and regulations set by professional bodies or government authorities rather than consistency with the cultural norms as in required in cognitive legitimacy. However, regulative legitimacy seems to emerge from conformity with laws as a collective action (Scott, 1995; Greenwood, Suddaby and Hinings, 2002) and is highly related to cognitive legitimacy, which also deals with the collective-level judgments of the society. At the same time, regulative legitimacy is also distinct from cognitive legitimacy because regulative legitimacy involves an active external validation of the organization by some agent (e.g., a government agency or a professional association).

The institutional approach focuses more on the maintenance of legitimacy, which is in contrast with the strategic approach, which promotes to focus on repairing legitimacy in response to various legitimacy threats, also, being known as operational resource dealing with the environmental pressures. However, Suchman (1995) argues that legitimacy is easier to maintain than to obtain (gain) or repair. According to O'Donovan (2002), a crisis of legitimacy is dealt in different ways whether the need is to gain, repair or maintain legitimacy. A key strategy for maintaining legitimacy is to engage in pre-emptive conformity, '*keeping the organization and its environment in close alignment*' (Suchman, 1995, p. 595). Whereas continuous conformance with the rules, standards, beliefs and expectations would at least guarantee organizations to have smooth period, provided there is no radical change hovering on the horizon. The literature has suggested various strategies and methods to acquire legitimacy (Suchman, 1995; Zimmerman and Zeitz, 2002). These strategies and methods vary in terms of how much change is made by the organization in elements external to it**.** Thus, these different types and strategies help theorists to determine the legitimate behaviour of any entity and provide tools to overcome any inadequacies, if any.

In summary, legitimacy is conceptualized as a perception that makes an entity acceptable in the eyes of a society. It is an essential ingredient for any venture's success and survival since it helps to overcome the liability of newness; and facilitates to gain further resources. It is equally essential for both new firms and established organizations. The reason being legitimacy is a continuous journey which does not terminate when acquired once; organizations have to constantly make an effort to maintain it. In case of any upheavals that disrupts the legitimacy status quo, it can become quite challenging for the firms to repair it. Because it involves losing the trust of the stakeholders or the society in general which takes much longer to restore than gain or maintain legitimacy.

Legitimacy is a core concept in institutional theory since the regulations, cultural expectations, norms, values and beliefs normalize people's behaviour. It seems to involve various actors, and hereby legitimacy verdicts vary across actors. So, there is a chance that organizations being judged as acceptable might not seem desirable to another group. However, there is a consensus that legitimacy is a collective process and individuals/organizations seem to confer legitimacy if it is a widely accepted norm and belief even if they themselves might not be in favour of it.

Legitimacy can be acquired through various means. For example, organizations gain legitimacy by abiding to rules and laws, seeking certifications, communicating effectively with the stakeholders or creating alliances with already established entities. Organizations also obtain legitimacy by following norms like treating employees fairly, giving generous remunerations packages or creating a brand reputation. Similarly, ventures receive legitimacy by conforming to ideas and practices that are assumed to be correct like recruiting managers with skills and experience.

Organizations have also been seen to use power relations to get their voice heard and create rules and regulations that benefit the new venture or politicking for changes in already existing procedures to which the new venture is subject. Sometimes organizations prefer to select an environment to be in a proximity of established firms where their ideas are accepted more readily. Symbolic actions like size and location of an office or practising CSR activities also help firms to achieve legitimacy.

But much attention in legitimacy literature has been devoted to it types and strategies rather what entrepreneurs or organizations actually do (Zott and Huy, 2007). These types and strategies are named differently with little difference in their meanings. It becomes problematic when legitimacy needs to be measured and operationalized. Because these '*are analytic concepts'* which are *'not fully separable empirical phenomena*' (Deephouse et al. 2017, p. 20). So, to avoid confusion, this study focuses on the (practices/)

mechanisms rather than legitimacy types that an institutional entrepreneur adopts to acquire legitimacy, essentially establishing the relationship between institutional entrepreneurship and legitimacy.

The next section integrates the different concepts explained above to define the purpose of this research while detailed discussion is presented in Chapter 4: Conceptual Framework.

2.6 Purpose of this Research

This section brings together the key concepts significant for the current study to provide the theoretical foundations for the research. It outlines the overall integration of the phenomenon about acquisition of legitimacy of an institutional innovation in an emerging economy context.

The research looks at how an institutional entrepreneur acquires legitimacy for a novel innovation in an emerging economy. As a result, it untangles the process of institutional entrepreneurship into its two constituents – creative innovation and legitimacy – that literature has conflated together. By doing so, it attempts to resolve the paradox of embedded agency. Moreover, it identifies the legitimacy mechanisms that an institutional entrepreneur adopts to acquire legitimacy for her/his institutional innovation in an emerging economy. And investigates the institutional preconditions prevalent in an environment for an institutional entrepreneurial act to be beneficial or harmful for a society.

The phenomenon of institutional entrepreneurship introduced first by DiMaggio (1988) describes the activities of institutional actors as, '*the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions'* (Lawrence and Suddaby, 2006, p. 215). In other words, these actors realizing their interest are able to change the prevailing institutional arrangements, introduce new ones and make others adopt them.

The notion of institutional entrepreneurship bridged the gap between old and new institutionalism that considered actors as passive players and provided no explanation for endogenous institutional change. Though the notion of institutional entrepreneurship was able to shed light on the role of agency in an institutional change, but it also gave rise to agency – structure debate. The dilemma was that how these actors are able to alter institutions when these institutions guide their behaviour (Garud, Hardy and Maguire, 2007). This debate is referred to as paradox of embedded agency. Both these views seem to have a unilateral focus while neglecting the other side of the debate. That is, the proponents of structure emphasize the stability of institutions overriding the role of agency and the proponents of agency emphasize on the role of actors overriding the structure.

Several explanations to explain this above-mentioned theoretical puzzle exist in literature. But no resolution exists yet. This research unlocks the paradox of embedded agency by separating out the institutional entrepreneurship process into its two basic components – creative act and acquisition of legitimacy – which the literature has seemed to conflate together. This study gives a detail account of how institutional entrepreneurship can be separated out in these two distinct components later in the thesis (See Chapter 4: Conceptual Framework).

Secondly, this research tries to establish the link between institutional entrepreneurship and legitimacy by exploring how a society accepts an institutional change. Though research exists that evaluates standalone institutional change from individual and collective action perspective (Leblebici et al., 1991; Hensmans, 2003; Kraatz and Moore, 2002; Lawrence and Phillips, 2004; Maguire, Hardy and Lawrence, 2004) and enabling conditions and strategies perspective that facilitates these institutional entrepreneurs to bring about change in the existing institutional structures (Hardy and Maguire, 2008; Leca, Battilana and Boxenbaum, 2008). However, the existing literature has seemed to overlook the explicit mention of relationship between legitimacy and institutional entrepreneurship (Zimmerman and Zeitz, 2002, p. 428). Therefore, this research establishes a relationship between legitimacy and institutional entrepreneurship by identifying the possible mechanisms that an institutional entrepreneur uses for her/his novel innovation to acquire legitimacy from the stakeholders.

Third, despite the fascination of role of legitimacy in institutional entrepreneurship, there has been emphasis more on legitimacy types and sources, which becomes complicated due to variations in topologies available (Aldrich and Foil, 1994; sSuchman, 1995; Zimmerman and Zeitz, 2002). Thus, this research attempts to simplify the understanding of the institutional change enacted by these change agents by looking at all the available different mechanisms used in the entire institutional change process. Drawing upon the legitimacy process proposed by (Johnson et al., 2004), this research attempts to breakdown the institutional change process by investigating the potential mechanisms applied by institutional entrepreneurs at every stage of the process.

Thirdly, the empirical setting chosen for the study is a free zone in an emerging economy context. The area of emerging contexts is underexplored as compared to the developed economies, argued by theorists (Peng, 2000; Peng, 2002; Lee and Oh, 2007), so there is a need to investigate emerging contexts because the same tools and methods that operate in developed contexts cannot be applied to the emerging contexts due to their underdeveloped institutions. Therefore, this research brings insights from an emerging context where the establishment of a first-ever free zone is investigated as an institutional innovation. Additionally, this study tries to comprehend the institutional or ideological preconditions that make an institutional entrepreneurial act productive, unproductive or destructive.

In light of the literature review and the literature gaps identified, this research draws on process approach and seeks to integrate institutional entrepreneurship and legitimacy philosophies to contribute towards a clearer understanding of legitimacy acquisition of institutional innovation in an emerging economy context. The expectation is to add value to the existing body of institutional entrepreneurship literature. Therefore, the research questions developed for the purpose of this study are as follows: -

Research Question 1 – Resolvable: Paradox of Embedded Agency

Is it possible to shed new light on resolving the paradox of embedded agency?

Research Question 2 – Mechanisms to Acquire Legitimacy

What are the mechanisms of legitimacy that an institutional entrepreneur uses to get her/his novel idea accepted and approved by the internal and external stakeholders?

Research Question 3 – Baumol: Productive, Unproductive or Destructive Entrepreneurship

What kind of institutional or ideological preconditions might be necessary for institutional entrepreneurial action to benefit or harm society in an emerging economy?

The next chapter discusses the research methodology adopted to address these research questions.

Chapter 3: Methodology

This chapter presents the research methodology adopted in response to the research inquiry that seeks to explore the relationship between institutional entrepreneurship and legitimacy. The study separates out an institutional entrepreneur's creative act from legitimacy acquisition in an attempt to resolve the paradox of embedded agency. Thereby, it investigates the legitimacy acquisition process of an institutional innovation and provides insights into an institutional entrepreneurial action being beneficial or detrimental to a society.

The chapter is structured as follows. Section 3.1 details the philosophical assumptions of the study based on researcher's ontological and epistemological approach. Section 3.2 describes the research design adopted for the study. Section 3.3 outlines the research setting and the justification for case selection. Section 3.4 informs about the steps involved in data collection. Section 3.5 explains the data analysis process, followed by Section 3.6, which addresses the quality and robustness of the research, identifying its strengths and limitations. Section 3.7 discusses the ethical issues taken into account for the purpose of the study. Lastly, Section 3.8 summarizes the key points of the chapter.

3.1 Research Philosophy

This section discusses the research philosophy underpinning this study. It provides rationale to the choice of research approach adopted, in particular, in terms of ontological and epistemological stance taken. It describes *'how problems should be understood and addressed'* (Kuhn, 1996, p. 45). In other words, it allows a researcher to convey how s/he perceives the world when seeking answers to research queries. I believe that a well-developed and a well-thought research design can provide rigour and strengthen the study as philosophical tools *'help clarify the process of inquiry and provide insight into the assumptions on which it [study] conceptually rests'* (Kincheloe and Berry, 2004, p. 8).

Positivism and Interpretivism, two very different approaches are used undoubtedly the most in sociological research, sitting at two extreme ends of a continuum. Positivism refers to an objective reality that exists *out there* independent of human beings and human interaction. Crotty (1998, p. 8) describes this viewpoint as, *'a tree in the forest is a tree, regardless of whether anyone is aware of its existence or not',* which reflects an objective stance. I consider, *'reality is of an objective nature'* (Burrell and Morgan, 1979, p. 1) where natural sciences (scientific methods and facts) are concerned. This indicates to a realist epistemological assumption that points towards a positivist paradigm.

However, I believe that ontological and epistemological assumptions might not be the same when dealing with social phenomena (or human world). In other words, I tend to hold on to a more subjective view where social sciences are concerned. For instance, I come from a very warm country and my perception of being in a cold country would be different from a person coming from cold climate region. I would see and feel things differently which could be influenced by our different cultural and social values and meanings. Similarly, a tree is 'a tree' but I could look at a tree and think of it as providing a shade, in contrast to my colleague who could be appreciating its beauty. That is, people interpret similar things differently at any given time, as argued by Eusafzai (2014), *'perception of reality by human beings is always influenced by their values and conscience*' (p. 180). Therefore, we *'need to consider human beings subjective interpretations, their perceptions of the world (their life-worlds) as our starting point in understanding social phenomena'* (Ernest, 1994, p. 25). This stance refers to an interpretive paradigm or subjective approach to social science. Richards (2003, p. 8) describes it as, '*reality is socially constructed, so the focus of research should be on an understanding of this construction and multiple perspectives*.'

Based on my stance of social phenomena, this thesis follows interpretivist approach since it falls in the realm of social science, in particular, (institutional) entrepreneurship field, as it is a multi-faceted social reality that is enacted differently in different contexts by diverse actors (Leitch, Hill and Harrison, 2010). The aim of the thesis is to explore the relationship between institutional entrepreneurship and legitimacy looking at how an institutional entrepreneur is able to acquire legitimacy for her/his novel innovation. It seeks to investigate the legitimacy acquisition process in a holistic way by getting familiar with participants social context and interpreting their perceptions and their realities, which strengthens the argument for an interpretivist approach (Bogdan and Taylor, 1975; Shaw, 1999). And it is achieved by '*generating thick and rich descriptions of actual events in real-life contexts that uncover and preserve the meanings that those involved ascribe to them'* (Leitch, Hill and Harrison, 2010, p. 70).

Interpretivism is '*based on a life-world ontology which argues that all observation is theory- and value-laden and that investigation of the social world is not, and cannot be, the pursuit of detached objective truth'* (Leitch, Hill and Harrison, 2010, p. 69).

Interpretivist approach emerged in response to an argument that social phenomena cannot be understood without taking human element into consideration. Social scientists assert, *'individual and social phenomena had to be studied through the subjective minds of individuals [and] not only through observable behaviour'* (Lindgren and Packendorff, 2009, p. 29-30). It is concerned with knowledge creation based on understanding of human behaviour that involves *'capturing the actual meanings and interpretations that actors subjectively ascribe to phenomena in order to describe and explain their behaviour'* (Johnson et al., 2006, p. 132).

Maguire, Hardy and Lawrence (2004) have likewise explored the case of institutional entrepreneurship of HIV/AIDS treatment advocacy in Canada using interpretive perspective. They found that '*institutional entrepreneurship in emerging fields is a form of institutional bricolage*' (p. 674), by outlining the process how individuals take actions that result in significant change in an emerging field. The current study adopts a similar approach and investigates about an institutional change acquiring legitimacy in an emerging economy.

With philosophical stance of the research described and my rationale guiding those choices explained, the next section will now discuss the research design that formulates the data collection and data analysis process for this study.

3.2 Research Design

Research on entrepreneurship is evolving rapidly since it has been recognized as a pathway to industrial drive and economic growth for nations (Carlsson et al., 2013). A boost in the number of articles on entrepreneurship was seen during 2008 – 2013 period, of which institutional entrepreneurship was the most researched field (Chandra, 2018)[10]. Yet there is little understanding of the phenomenon. This opinion is also shared by Battilana, Leca and Boxenbaum (2009, p. 96) who asserts, *'we should devote additional effort to trying to understand better how actors can initiate and implement divergent change*.' In addition, Szabó (2017, p. 360) says, *'though the number of articles and books devoted to the issue has been rapidly increasing, researchers are far from reaching a*

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[10] The author studies evolution of the field of entrepreneurship between 1990 and 2013, and demonstrates how topics appear, disappear, reappear and stabilize over time in a 24-year period using scientometrics analysis.

consensus about the basic concepts and interpretation of the phenomenon', implying that there is a need to clarify and probe in order to enhance our understanding of phenomenon of institutional entrepreneurship.

This calls for a rich and detailed qualitative research because qualitative data and methods have potential to encompass the richness about the phenomenon of interest and provide deep knowledge (Javadian, Gupta and Knights, 2016), when little is known about a theory or topic. Additionally, systematic combining[11] approach was used as the research required constant back and forth iterations between theory and empirical observations when the framework was being evolved (Dubois and Gadde, 2002). The objective was to discover new things with a focus on theory development rather than theory generation. So, based on the prior state of theory and exploratory nature of research, a qualitative research design based on systematic combining approach was adopted.

[11] Systematic combining is a case study approach aimed at theory development. It involves continuous iterations between theory and empirical observations to develop an analytical framework.

I recall the research questions of this study again that were introduced in chapter 1: Introduction.

Research Question 1 – Resolvable: Paradox of Embedded Agency*Is it I*
Is it possible to shed new light on resolving the paradox of embedded agency?

Research Question 2 – Mechanisms to Acquire Legitimacy

What are the mechanisms of legitimacy that an institutional entrepreneur uses to get her/his novel idea accepted and approved by the internal and external stakeholders?

Research Question 3 – Baumol: Productive, Unproductive or Destructive Entrepreneurship
What kind of institutional or ideological preconditions might be necessary for institutional entrepreneurial action to benefit or harm society in an emerging economy?

The thesis is an exploration study that aims to examine the relationship between institutional entrepreneurship and legitimacy in order to gain better understanding of the phenomenon of institutional entrepreneurship. Furthermore, the interpretive qualitative research design and the nature of research questions where holistic, in-depth investigation is required, leads to case study as a preferred research method for this study (Yin, 2009).

Secondly, the objective of the study was to explore the case by looking at how an institutional entrepreneur was able to acquire legitimacy successfully for a novel innovation without any researcher's intent to manipulate the data. And I had neither influence on the course of events that occurred for that particular institutional entrepreneurship event nor there was any intent to control the behaviour of participants involved in the study, which strengthened the use of the case study (Yin, 2009).

Thirdly, I used a case study because I wanted to encompass the contextual conditions since the study could not have been understood completely without looking at the context (Yin, 2009). Every context is complex and diverse with its own challenges that shape entrepreneurship (Welter, 2008) and it was pertinent to the way in which an institutional entrepreneur acted on an opportunity. Additionally, I reported the case as a chronological chain of events leading upto the main event, which is used as one of the ways to present a case study.

Fourthly, Yin (2009, p. 11) claims, *'the case study's unique strength is its ability to deal with a full variety of evidence – documents, artifacts, interviews and observations – beyond what might be available in a conventional historical study'*. Since I used several data collection sources (interviews, archives, online sources etc.) to support my argument so the study tipped in the favor of case study method.

Since, a holistic view of an institutional entrepreneurial action in a specific context is studied that aims to enhance our understanding of a phenomenon so a non-linear systematic combining approach to a single case study was adopted.

Single-case studies, when used create a high-quality theory and concepts providing richer understanding of the phenomenon (Dyer and Wilkins, 1991). They are useful if it is a unique or an extreme case (Yin, 2003). Siggelkow (2007, p. 20) shares the same view as he claims, *'a single case can be a very powerful example'*; and Langley (1999, p. 699), who claims that *'this strategy provides a powerful means of deriving insights from a single rich case'*. However, single-case studies are criticized for their incapability of generalizing conclusions (Tellis, 1997) but Yin (2009) argues that they are acceptable if they fulfil the criteria of research objectives providing analytic inference rather than statistical generalizations.

In contrast to single-case studies, multiple-case studies are time-consuming and expensive but might represent more confident results (Gerring, 2004; Baxter and Jack, 2008). However, Dyer and Wilkins (1991) claims that the number of cases, page-length or time spent in the field does not guarantee a good research; a good research is if researcher is able to understand, present and interpret the case in its specific context carefully which a reader can understand; and provides carefully drawn rich theoretical insights in relation to the context.

Systematic combining, a case study approach, is *'a non-linear, path- dependent process of combining efforts with the ultimate objective of matching theory and reality'* (Dubois and Gadde, 2002, p. 556), where iterations between theory and empirical data continuously takes place. Empirical research cannot be conducted without a well-investigated research question and knowledge of the theory (Suddaby, 2006), as '*concepts* *should be used in a sensible way to create a reference and to function as a guideline when entering the empirical world'* (Dubois and Gadde, 2002, p. 558).

Since the case was *found*[12] during the course of research as it was not typically chosen beforehand; and the study involved a continuous back and forth iterations between theoretical concepts and empirical observations but more oriented towards the inductive approach than the deductive approach. This logic allows the framework to change or develop before, during or after the research process based on empirical observations, which strengthened the argument for systematic combining approach. Additionally, the aim was to discover new things with a focus on theory refinement of existing theories rather than inventing new ones, which again added to the use of this approach (Dubois and Gadde, 2002).

Another major component in designing a research is the unit of analysis (Yin, 2014). The case studied is a first free zone in the Middle East region where an institutional entrepreneurial action in terms of legitimacy acquisition was examined, that is, it studies how a society accepts an institutional innovation. So given the research objectives of the study, it is appropriate to classify the research as having two units of analysis i.e. an institutional entrepreneurial action itself and the process of acquiring legitimacy for that institutional entrepreneurial action.

Hence, this study undertook a qualitative research strategy to investigate the relationship between institutional entrepreneurship and legitimacy by adopting a single-case study design.

3.3 Research Setting and Case Selection

The research setting was a free zone in an emerging economy, in particular, Jebel Ali Free Zone (JAFZA) in Dubai, UAE. The case was 'found'[13] during the course of research. The article, Institutional Arrangements and International Entrepreneurship: The State as Institutional Entrepreneur by Nasra and Dacin (2010) gave an insight into the institutional framework of Dubai, UAE. It led to further exploration of the context and a

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[12] See Section 3.3

[13] It agrees with systematic combining approach that the cases are found when doing non-linear research.

decision to use JAFZA as a case study was taken. The establishment of a first-ever free zone, JAFZA in 1980 in Dubai's context was an example of institutional entrepreneurship that provided an alternative route to do business for the merchant community. JAFZA proved to be successful and that catapulted into development of numerous other free zones[14] in Dubai catering to various specialized fields

Since there is little understanding about the basic concepts and interpretation of phenomenon of institutional entrepreneurship (Szabó, 2017), and a need to investigate emerging economies contexts (Bruton, Ahsltrom and Obloj, 2008); the evolution of JAFZA into a successful entity presented a landscape to investigate its legitimacy acquisition process in an emerging context like Dubai. Thus, this setting is attractive for the purpose of the study.

Additionally, the case selection was guided by both intrinsic and instrumental logic (Stake, 2005). The 'found' case is a successful institutional entrepreneurship example in a context that has a very distinctive government regime, authoritarian, unlike the rest of the world. And it is often assumed to be conservative and strict with its traditions and customs, which made the case itself interesting to explore. Additionally, the case presented an opportunity to study the institutional entrepreneurship phenomenon in a rather underexplored context that is going to facilitate better understanding of the phenomenon and provide some valuable insights into an emerging economy context with an authoritarian regime.

3.4 Data Collection

Several sources of data collection were used to inform the case, as a case study research design is not limited to a single source of evidence. A good case benefits from multiple sources of data (Yin, 2009). Therefore, this section describes the data collection process of the study. Table 3.1 outlines different data sources used.

[14] Dubai hosts about 22 specialized free zones in its boundaries, as viewed on Aug 9, 2018.

Table 3.1: Sources of Evidence for Data Collection

Data Collection Sources	Description
The Case itself (JAFZA)	- Company website, magazines. - Internet sources: websites, reports, videos, news articles. - Private Correspondence - Interview transcripts
Companies (in JAFZA)	- Company websites - Interview transcripts - Internet sources
Books	- Numerous books on history and leadership of Dubai. - And a biography on Sheikh Rashid[15] (1958-r2006)
Archival data	- Detailed collection of material - Oxford Archives - - Exeter Archives
Interviews	- First round of interviews with JAFZA management participants (2016) - Second round of interviews with companies in JAFZA (2017)

As a point of departure, I did an exhaustive research on the case background and history that included various books and Internet sources (University database, websites, videos, online reports, news articles), before going into the field. I also gathered archival data on the history of UAE from Middle East Centre Archive, St. Antony's College, University of Oxford and The Arab World Documentation Unit, University of Exeter.

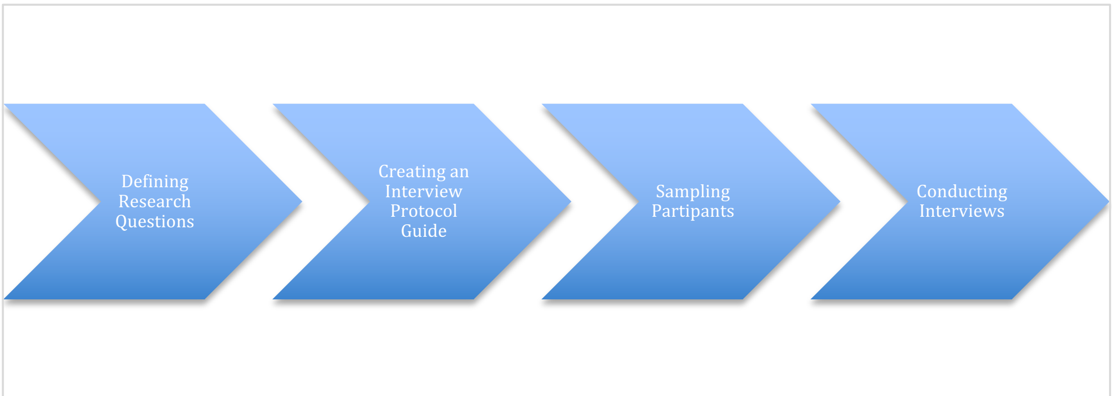
The research employs an in-depth qualitative interviewing, a method typically used in a case study research design to get rich insights into the phenomenon of interest (Eisenhardt and Graebner, 2007). In-depth interviews facilitate researchers to understand the stance of the study participants involved (Rubin and Rubin, 2005). The objective was to develop an understanding about participants' experience, thoughts and intentions in reference to the

[15] Sheikh Rashid was the ruler of Dubai from 1958 to 1990 and an initiator of many Dubai projects.

phenomenon in which the researcher had no involvement (Patton, 2002), therefore it was crucial to grasp and comprehend the study participants' views that they held and their rationale behind it (Cassell and Symon, 1994).

Following, an in-depth interview guide with open-ended and semi-structured questions was formalized. There were two participants' samples – JAFZA management representatives and JAFZA companies' representatives, hence two interview guides (See Appendix A). Cassell and Symon's (1994) qualitative interview process informed the study's interview protocol. The authors split up the interview process into four steps, presented in Figure 3.1 below.

Figure 3.1: Constructing and Conducting Interview Guide



Adapted from Cassell and Symon (1994)

In the first stage, the research questions (introduced in Chapter 1: Introduction) were identified, informed by the literature. The second stage involved creating an interview protocol guide in which an open-ended and semi-structured approach was selected, as it allows flexibility to the researcher to probe into related topic areas when and where needed (Bryman and Bell, 2011). The interview guide questions were formalized using literature to direct the researcher on the topics to be covered with the interviewees (Cassell and Symon, 1994). Both the interview guides were related and linked to the research objectives of the study.

The research sample was determined using a non-probability sampling technique, in particular, purposive sampling. Purposive sampling is apt for in-depth interviewing (Miles, Huberman and Saldaña, 2013). It allows researcher to select the study participants' who can benefit the research with their appropriate knowledge and experience (Rubin and Rubin, 2005), and are willing to participate in the study (Bernard, 2002). In line with these considerations, purposive sampling in the form of criterion sampling and snowballing sampling was adopted (Patton, 2002). The criterion sampling was employed as this study focuses on JAFZA established in 1985, which needed the management participants who were involved one way or another in JAFZA with appropriate knowledge and information to share. And the companies were selected that were established across the period 1985 – 2017 so that these companies could shed light on JAFZA procedures at various points in time of its 30 years of existence. Additionally, the case under investigation was a government entity so snowballing sampling provided a way to reach other information-rich participants, especially in a context where people are more inclined to oblige you in sharing the details of phenomenon being investigated, if they were reached through a reference.

A total sample of 18 interview participants was obtained for the study purpose, with 6 representing JAFZA management participants and 12 representing JAFZA companies. The study participants represented the sample that fulfilled the criteria of providing rich insights on the research topic. Since there is no definite consensus on the required sample size in qualitative research, the study relied on the sample adequacy practice. A point of theoretical saturation was reached at 18 interviews point (Bryman and Bell, 2007; Corbin and Strauss, 2014) that provided '*sufficient data to account for all aspects of the phenomenon'* (Morse et al., 2002, p. 18). Table 3.2 and 3.3 provide details of the participants interviewed. And Figure 3.2 illustrates how the key personnel of JAFZA are connected to each other.

Table 3.2: JAFZA Management - Participants Details

Participants	Gender	Occupation	Code	Brief Bio
1	M	CEO	IE-CEO-00	The participant serves as Group Chairman and Chief Executive Officer of Jebel Ali Free Zone Authority. He has been appointed as the Executive Chairman of DP World[16] UAE Region FZE since May 30, 2007 and the Group Chairman and Chief Executive Officer of DP World Limited since February 8, 2016. He serves as an Executive Chairman of Dubai Ports International. He serves as the Chairman of Port and Free Zone World FZE. He is also on the Board of the Executive Economic Council as well as the Dubai Chamber of Commerce and Industry among other critical posts. He holds a BS in Economics from Temple University.
2	M	CFO	TLE-JFZ-01	The participant serves as the Chief Financial Officer at Jebel Ali Free Zone FZE. He joined JAFZA in October 2005 as CFO and was subsequently appointed Group CFO of EZW at its inception in 2007, when JAFZA and a number of other major enterprises were amalgamated. Previously, he acted as the financial controller of the Dubai Aluminium Company (DUBAL). He is a CIMA (1987) graduate.
3	M	Manager	MM-JFZ-02	The participant served as a Manager for Europe and CIS region at JAFZA from Apr 2015 – Sep 2016 building trade relations and attracting FDI from Europe and CIS regions. Earlier he was serving as Europe Region Head – Global Sales at JAFZA from Jan 2014 – Apr 2015. Previously, he had held positions at Madar Holding-Dubai, and Knowledge and Human Development Authority-Dubai.

[16] DP (Dubai Ports) World is a leading enabler of global trade and an integral part of the supply chain; with a portfolio of 78 operating marine and inland terminals supported by over 50 related businesses in 40 countries across six continents with a significant presence in both high-growth and mature markets.

4	M	Chairman of EZW and Vice-Chairman of Dubai Chamber of Commerce and Industry	TLE-EZW-03	The participant is the Chairman of Economic Zones World[17], Vice-Chairman of Dubai Chamber of Commerce and Industry, and Member of the Economic Council along with holding a key position in the family business. He holds a MBA Degree in Finance from the California State College and a Bachelor Degree of Science in Electrical Engineering from the University of Southern California.
5	M	Chief Economist Advisor	TM-DED-04	The participant is acting as the Chief Economic Advisor, Economic Research and Policy Division – to the Government of Dubai since July 2015. He was the chief economist of the government of Dubai in 2008 and 2009 as well. He worked for ABCD Bank in the interim responsible for trade and agriculture and for supporting the G20. He holds a PhD in Economics from Georgetown University, USA.
6	F	Senior Manager	MM-DIFC-05	The participant serves as the Senior Manager - Market Intelligence - Group Strategy at DIFC[18] since Sep 2008 and is responsible for the execution of development projects in the domain of regulatory, real estate and market entry for financial services firms to operate in Africa and Middle East. Previously she had held positions at Merrill Lynch, BNY Mellon. She is an Economics graduate from Université d'Alger, Algeria.

[17] Economic Zones World (EZW) is the global developer and operator of economic zones, technology, logistics and industrial parks under the Dubai World Group. Its portfolio includes JAFZA, one of the world's largest free zones; Techno Park, a research driven business and industrial park, and Dubai Auto Zone, an industry specific free zone.

[18] DIFC – 'Dubai International Financial Centre' is another free zone. A change was made in the UAE constitution in 2004 with the establishment of DIFC.

Figure 3.2: JAFZA Management Dataset Network Diagram

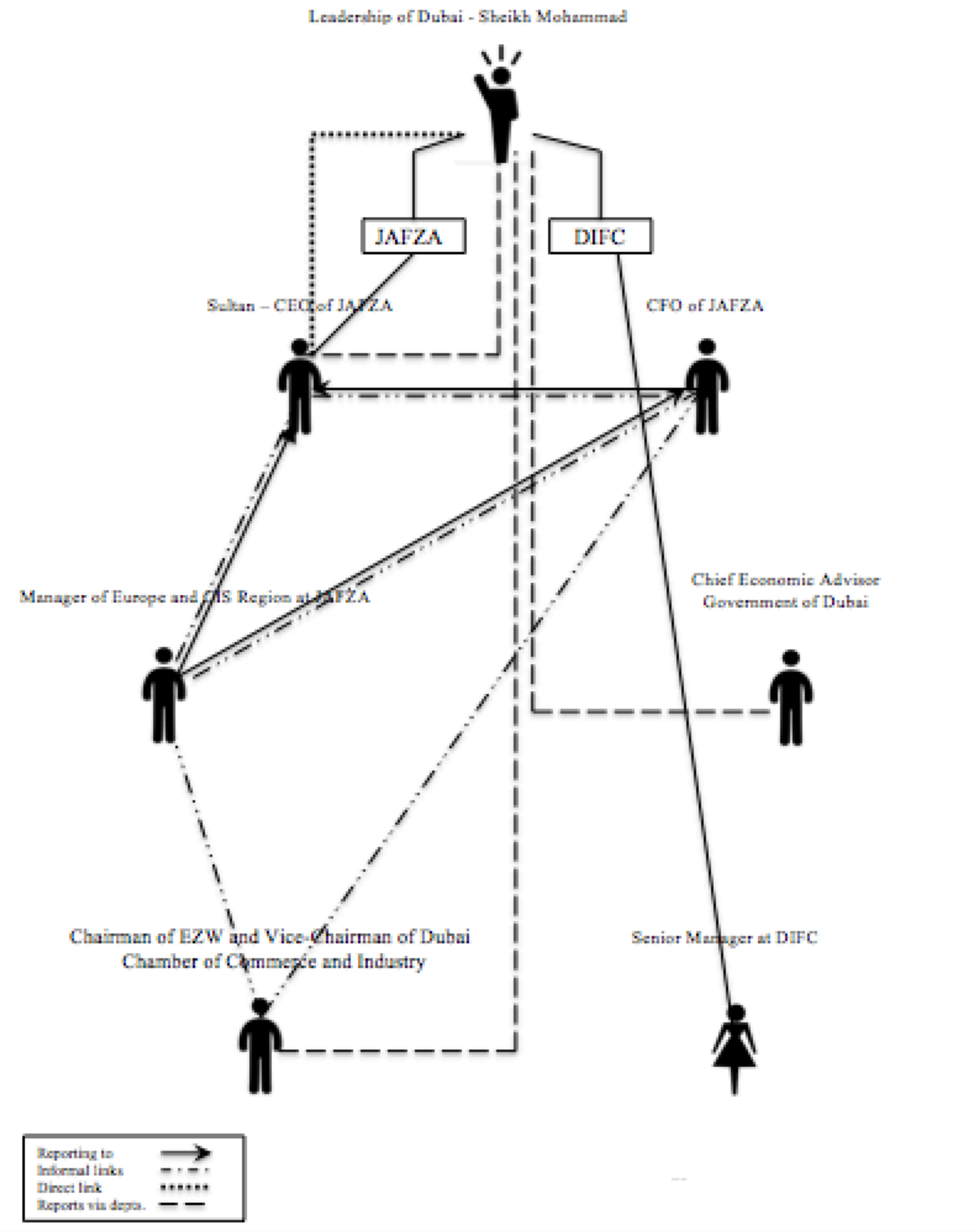


Table 3.3: JAFZA Companies - Participant Details

Participants	Gender	Code	Occupation	Year Established in JAFZA	Industry[19]
1	M	CC-JFZ-01	Finance and Admin Dep. General Manager	1994	Consumer goods
2	M	CC-JFZ-02	Group General Manager	2002	Industrial Manufacturing
3	M	CC-JFZ-03	HR Director	2010	Digital Camera and Medical Systems
4	M	CC-JFZ-04	General Manager	1999	Polymer Fabrics Shades
5	M	CC-JFZ-05	HR, Admin, IT and Legal Dept. Manager	1992	Industrial Manufacturing
6	M	CC-JFZ-06	Manager – H.R Admin	1995	Imaging, Sound and Radio Technologies
7	M	CC-JFZ-07	Group Director	2011	Real Estate
8	M	CC-JFZ-08	Chairman	1991	Security services

[19] It indicates the primary focus of the companies.

9	M	CC-JFZ-09	Chairman	1985	Logistics and F&B
10	M	CC-JFZ-10	Operations Manager	2000	Petrochemical Products
11	M	CC-JFZ-11	Finance and Admin Manager	1997	Musical Instruments
12	M	CC-JFZ-12	Sr. Manager	1992	Retail

The interviews were conducted at the office of interviewees' in Dubai. The first round of interviews was accomplished in year 2016 representing JAFZA management participants. And the second round of interviews was conducted in year 2017 representing JAFZA companies. All interviews were 45 – 60 min long. The interviews were audiotaped with the interviewee's permission and transcribed verbatim by the researcher that took almost a month and a half in total. Though the data transcribing was tedious, but it allowed the researcher a better understanding by immersion and engagement with data (Byrne, 1998).

The main informant was the institutional entrepreneur 'Sultan[20]' who established the free zone JAFZA in Dubai in 1985. Sultan[21] is included in the same dataset with other JAFZA management participants because he is still presently involved in the running of the organization as the CEO of JAFZA, hence the same dataset. The first interview of Sultan was used to match with the data identified in the subsequent interviews (within the same sample), archival data and all other data sources, thus triangulating to provide rigour and strength to the study (Yin, 2009). Furthermore, the responses obtained from JAFZA management participants were used to match with the data gathered in the second round of interviews representing JAFZA companies. While conducting interviews, special consideration was taken to carefully word the questions that were easier to understand for the participants (Bryman and Bell, 2007), and focused on one topic at a time to maintain clarity in interviews (Patton, 2002). This approach allowed the researcher to adjust the content, organization and order of questions during the course of the interview process in the study (Cassell and Symon, 1994).

[20] The case of JAFZA is considered in isolation where Sultan played a key role as an institutional entrepreneur. JAFZA – Dubai, UAE indeed is a successful example of institutional entrepreneurship. However, the researcher is also aware of the instance where Sultan failed in his entrepreneurial attempt and was taken down from the chairman position of DP World. DP World is an emirate's investment group that has an extensive portfolio ranging from real estate to numerous development initiatives and is considered to one of the largest conglomerates of Middle East. The faulty judgment on Sultan's part during the global recession 2008 led Dubai to financial crises, as he was not able to calculate the impact of global recession 2008 and continued to invest in projects. Thus, the researcher is aware of such instances and has kept critical distance from the case study to bring objective insights from the case with no intention to portray Sultan as a heroic figure.

[21] Sultan was the one who took the idea forward and executed it even when it was Sheikh Rashid's vision initially. According to institutional entrepreneur's definition, an actor is called a change-agent with a purposive action (Lawrence and Suddaby, 2006) who leverage '*resources to create new institutions or to transform existing ones*' (Maguire, Hardy and Lawrence, 2004, p. 657). It infers; an execution of idea is necessary for an actor to create institutional change.

Likely informant bias where all the management participants worked in a government entity (Eisenhardt and Graebner, 2007) was addressed by comparing and contrasting responses with all the other data sources employed. Finally, I consolidated interview data with data collected from other sources of evidence.

3.4.1 Challenges Faced by the Researcher in Data Collection

Data collection is a demanding and challenging process. It can impact the quality of the research if it is not carried out diligently. However, most of the researchers may encounter difficulties during the course of data collection due to numerous reasons (Rimando et al., 2015). I had no different experience and had to face various challenges when I went out into the field to collect data from primary and secondary sources for this study. The problems that I dealt with during the data collection phase are explained below.

The empirical case, free trade zone JAFZA is a government organization and is located in one of the emerging economies, Dubai – UAE, of the world where 'Waasta[22]' is needed to get into any organization, especially if it is a government entity. I am not of an Arab ethnicity[23] so I knew that I would have to face some difficulties in trying to contact the interview dataset. Fortunately, I found a contact who was able to link me up with a high-profile person in that organization which made the process of reaching out to JAFZA's other management participants (1st round of interviews – 2016) very smooth. The interview participants were obliged to meet me since I came through a very high-profile reference. One such participant told me openly that they couldnot say no to me due to this 'Waasta'. I had to be very careful when approaching the JAFZA management participants as I did not want to irritate or annoy them in any manner which could have jeopardized the data collection process. One such incident happened when one of the interview participants did not like the question and that person became aggravated. I had to back down immediately to bring the interview back on the track and not burn my bridges since that 'person' was my contact in JAFZA. Luckily, it was the last interview in that round so it did not affect me or rather I did not stay after to find out if it could have any impact on

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[22] Waasta means nepotism, clout or who you know. More details in Section 5.2.3
[23] Being a local helps as UAE community is very close-knit and connected.

my data collection process. Thus, I was able to complete my 1st round of interviews without any hitch.

I had to go back to Dubai to do my 2nd round of interviews which included JAFZA companies' representatives. Unfortunately, the 'Waasta' I had in JAFZA had a fall out with another high-profile person in the same organization which I came to know after four months of constant calls and emails. It became a dead end for me. I then thought to try my luck with other contacts that I made during my 1st interview round to help me get to the 2nd stage of interviews. It seemed like that there was no hope. I was at an impasse whether to go with only one dataset or change the empirical case entirely. Fortunately, I got an opening through a contact I made in my first field trip after being persistent for months and was granted access to the companies in JAFZA.

Another major decision that I had to make was whether to interview only the JAFZA management and companies or other stakeholders in a society such as labour class or workers at the port. I knew that different stakeholders could have definitely provided a broader picture of the case. But UAE does not rank high on freedom of speech criteria – 19.21percentile (United Arab Emirates, 2016, p. 17) so there was always a possibility of these low-paid people not giving the correct information. These low-profile workers are usually non-locals from countries like India, Pakistan and Bangladesh and might not have spoken freely (i.e. against government or their projects) in the fear of being deported. There are rumours of people being deported but all are undocumented stories, hence no proof. One of my own sources narrated an event (happened outside my contact's office) in which a man was fined when a local heard him talking negatively about the economy of Dubai. In another instance, a PhD researcher from UK was put into jail for interviewing random people on the streets of Dubai (Parveen and Wintour, 2018). I could not have bypassed the JAFZA management in trying to contact these low-profile workers by myself since I would have to get permission from the authorities to get inside the port area. I might not have been given permission at all as the whole reaching out process to the interview participants was screened quite formally. Therefore, I had to make a decision to choose one dataset over another and made an intentional choice to go just with JAFZA management and the companies.

Lastly, the empirical case JAFZA is from a setting in Gulf with little or no emphasis on recording material in the written form and so there are few archival documents to build historic empirical cases. The Middle East archives used for this study contained documents about the time before UAE gained independence in 1971 (when it was under British control) or the material was in Arabic. So, I had to rely on a few books and other online material. Researchers are dependant mostly on interviews, so I made sure that I went into the interview process prepared and tried to probe the key interviewees over and over again to get the full picture. Though, the challenges made data collection a tedious process at the time, but this pain later became a gain when all the material collected provided quite a broader view of the picture.

The next section explains the data analysis process carried out on the data collected for the purpose of this study.

3.5 Data Analysis

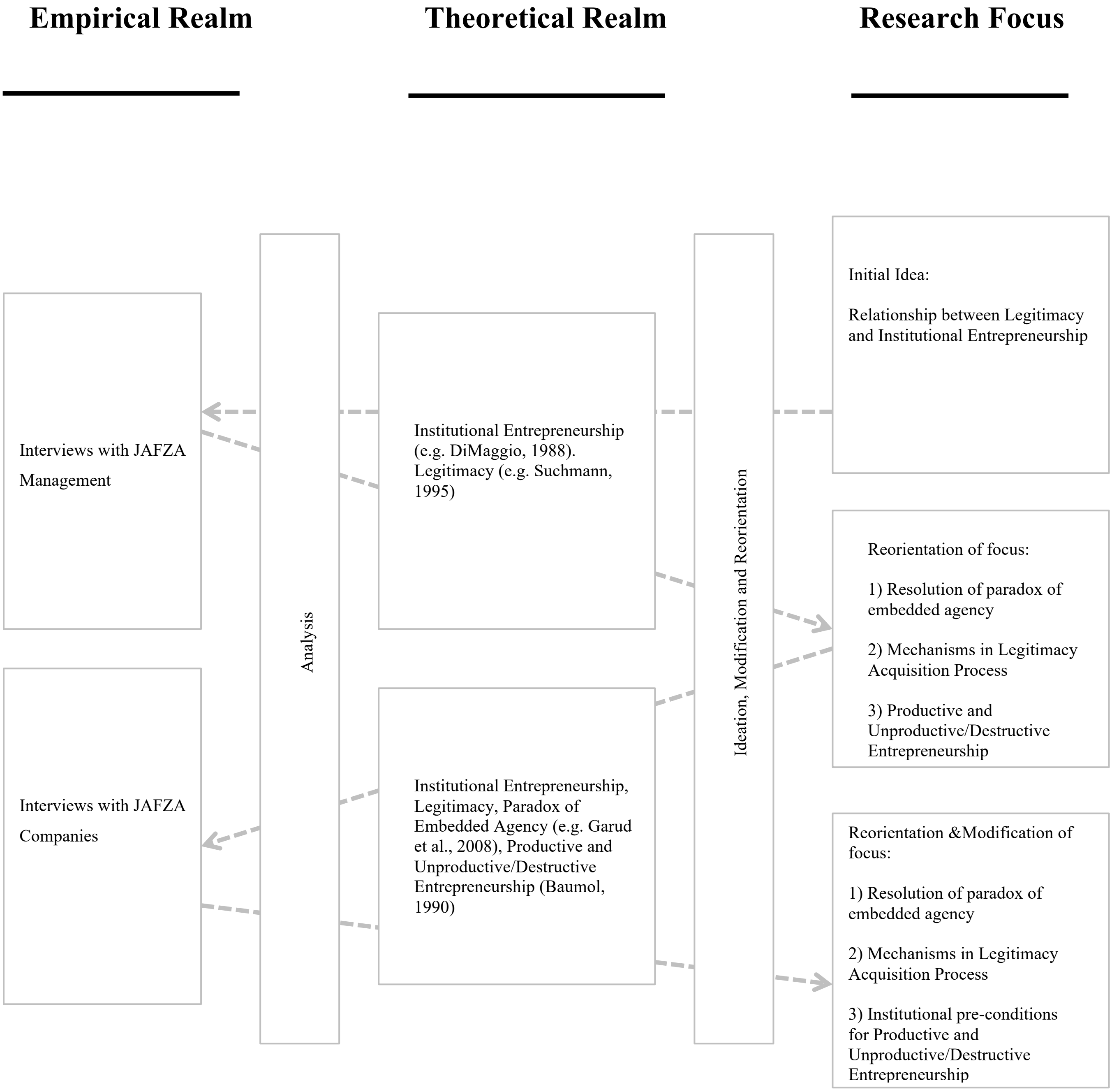
This section provides an overview of the analysis process conducted for the study. As mentioned earlier, the systematic combining approach was adopted that allowed the researcher to iterate back and forth between theoretical concepts and empirical data in order to develop and modify the framework throughout the study (illustrated in Figure 3.2).

The data was analysed using a step-by step thematic analysis provided by Braun and Clarke (2006), however, I modified the approach partially to make more logical sense of the data displayed. Table 3.4 below summarizes the steps involved in the analysis process.

Table: 3.4: Data Analysis Process

Data Analysis Steps	Description
Transcription of interviews	- Interviews (audio-recorded) transcribed for both the participants' samples. A web app Trint was used. - A second check carried out to check for any errors.
Reviewing the transcripts	- Rereading the transcripts and reconfiguring of data. - Making notes
Identifying features	- Identifying relevant data pertinent to research objectives - Identifying repeated patterns and their meanings - Recording them as open codes
Description of the Case	- Writing an account of the case in a chronological order of events using all the data sources of evidence.
Searching for themes	- Combining repeated patterns with same meanings into a single theme. - Gathering all data relevant to each theme.
Reviewing the themes and matching theoretical concepts	- Modifying and developing the themes. - Checking if the themes work for the entire data set. - Iterative process between data and theory - Comparing findings between two participants' sample. - Involving colleagues to reduce researcher's subjectivity issue in identifying patterns
Defining, naming and organizing of themes	- Generating themes with clear definitions and names.
Producing the analysis report	- Generating the detailed and coherent analysis report utilizing examples of transcripts and other sources of data to illustrate the meaning of the theme.

Figure 3.2: Systematic Combining Process



Adapted from Dubios and Gabbe (2002)

The interviews were carefully transcribed from the digital audio files with a help of a web application 'Trint'[24]. A second check (without Trint) was run to check for any errors and inaccuracies. Following transcription, the interview transcripts were reviewed over and over again, and the data was sorted using software MAXQDA. Initially, the data was segmented into initial open codes. These initial open codes were derivatives of interview question topics. At this stage, notes were made alongside the interview data. The focus was how and why the institutional innovation was implemented in the empirical case. The repeated patterns then were identified in the data set and induced meanings from these patterns (Eisenhardt and Graebner, 2007). The data was reconfigured in a way, so it was easy to handle for further analysis, thus providing a manageable and straightforward case narrative (Miles and Huberman, 1994).

Using multiple sources of data enhances robustness of the study and facilitated data triangulation (Yin, 2009). So, the case description was developed in chronological order of events utilizing all the narrative accounts and sources of evidence to produce a clear and coherent storyline, thus enhancing visibility of data for further analysis. The repeated patterns with same meanings were then grouped into a single theme. The iterative process between theoretical concepts and empirical data facilitated in the emergent themes, which were used as themes for the analysis.

These themes were structured in a tabulated form, an approach by Bloomberg and Volpe (2012). It shows how each theme is derived from the corresponding 'Theory' and 'Interview Question/s' asked about those themes to illicit information (See Section 6.3). It was made sure that the themes worked with the entire data set with regard to the links and relationships identified between the themes. Table 3.5 gives a synopsis how the data was linked with those themes. Detailed description of these themes is provided in Chapter 6: Findings – Section 6.3 with exhaustive supporting evidence.

[24] Trint is a speech to text software.

Table 3.5: Synopsis of Linkage of Themes and Data

Themes	Sample Codes
Intention and/or Motivation	*'We need the port to operate; the shipping line will not come if there is no cargo, so we have to bring the company [to the port] to bring the cargo. And as soon as the cargo starts to be stored, distributed, the shipping line will be interested to come and carry the cargo.'* (IE-CEO-00)
Vision	*'My grandfather rode a camel, my father rode a camel, I drive a Mercedes, my son drives a Land Rover, his son will drive a Land Rover, but his son will ride a camel.'* (The National, 2010)
Environment	*'We build a Jebel Ali port and it is a very large port and to generate cargo for the port, we need to complete the set up [with a free zone]. At the same time, we had infrastructure [at the Jebel Ali port] ready so the part of the supply chain is to have logistics, so logistics is very important … [But] We need the port to operate; the shipping line will not come [to Jebel Ali port] if there is no cargo so we have to bring the company to bring the cargo.'* (IE-CEO-00)
Social Position	*'Sultan bin Sulayem is said to have a 'connection' with the ruling family but is not directly related to them.'* (The Guardian 2006)
Trust	'*If you really believe in it [JAFZA], you go run it. Bin Sulayem said Sheikh Mohammed told him. I was 30.'* (Gimbel, 2008)
Track Record	'*Not for the last time, Sheikh Rashid was proven quite right. In fact, if you consider that ultimately Dubai would have had to have additional port facilities, the eventual bill of $1.7 million was miniscule compared with one of perhaps six times that if you attempted to build Jebel Ali today.'* (Wilson, 2009, p. 204)
Best practices	*'I visited Hong Kong, Taiwan, Korea (Masan), Singapore and then visited Hawaii … they have a subzone, a part of a zone but refinery that enjoyed free zone status [was] not necessarily in the zone then went to Dallas and then went to New York, New Jersey Port Authority, Port Elizabeth and [then] turned up here. And gather enough information about the project.'*

	(IE-CEO-00)
Rhetoric	*'So, I did my study [JAFZA report] in 1983, I kept talking to the government in 84 and the law was passed in 1985 … It took time to get [persuade] them … to convince them.'* (IE-CEO-00)
Skills and knowledge acquisition	*'What we did was, we already had an engineering department [because of a port]. We have since now this involved taking a piece of land and building or taking a warehouse and converted into factory. There are certain procedures and regulations regarding health and safety, fire, worker accommodation. Those we establish different divisions by ourselves, brought people who knew about this like health and safety.'* (IE-CEO-00)
Incentives	*'We give you tax benefits for 50 years, you do not pay taxation as concession from the government. Back then we would give concession on land so a grace periods of years as well, you do not pay for land for how many many years and so many other things as concessions. So, this idea would benefit Dubai to diversify the economy.'* (MM-JFZ-02)
Symbolic management	*'What we did was, we already had an engineering department [because of a port]. We have since now this involved taking a piece of land and building or taking a warehouse and converted into factory. There are certain procedures and regulations regarding health and safety, fire, worker accommodation. Those we establish different divisions by ourselves, brought people who knew about this like health and safety.'* (IE-CEO-00)
Outcomes	*'Yes of course, the success of JAFZA helped to build other free zones and projects. They are thriving on our successes. Before we started, nobody wanted a free zone, they were scared but they have seen that companies are coming so it started, not only in Dubai but whole UAE.'* (IE-CEO-00)

To reduce the risk of any errors that might have occurred due to investigator's subjectivity, two colleagues were asked to review the coding process (Snow and Hambrick, 1980).

3.6 Quality of the Research

According to Lincoln and Guba (1985), all research in order to be considered valuable should have an element of rigour and trustworthiness. This research follows the quality construct, comprising of objectivity, reliability, internal validity, external validity, given by Miles and Huberman (1994). Several techniques can be applied to demonstrate the reliability and validity of the research; however, the tactics employed in this study are depicted in Table 3.6.

Table 3.6: Quality of the Research

Construct	Tactics Employed
Objectivity	- Conclusions with reference to subjects and conditions related to inquiry - Investigator triangulation - Conclusions linked with empirical data - Data collection, display and analysis procedures described in detail.
Reliability	- Analytic constructs developed carefully in relation to theory - Coding checks made - Reliable informants and data sources - Reduced informant bias
Internal validity	- Rich description of the case - Multiple sources of data - Investigator triangulation - Informant triangulation
External Validity	- Theoretical constructs applicable for other studies

Adapted from Miles and Huberman (1994)

To demonstrate the objectivity of the research, it was made sure that the conclusions represented the subjects and conditions related to the inquiry (Lincoln and Guba, 1985) rather than the investigator. To reduce investigator's subjectivity, two colleagues were consulted in data analysis process. And the conclusions were explicitly linked with exhaustive descriptions of empirical data (Miles and Huberman, 1994). The data collection, data display and analysis procedures were described in detail, illustrated with the tables. It demonstrated the sequence of actions taken for the study.

To address the issue of reliability, the analytic constructs were defined explicitly by showing it connectedness with theory. The data was collected from reliable sources and informants who had the required knowledge. While informant bias was reduced with the help of data triangulation. The coding checks were made very carefully involving two colleagues and found satisfactory.

To illustrate the issue of internal validity, the narrative rich account of the case was presented along with the history of the context, so the themes appear convincing and makes logical sense to the reader by linking it to the theoretical concepts. The data triangulation was achieved multiple methods. Multiple sources of data such as interviews, archival data and other sources were utilized to reduce any bias (Yin, 2009). Investigator triangulation was adopted by engaging in conversations with colleagues and feedback from the supervisor in addition to reviews from annual presentations and conferences. According to Eisenhardt (1989, p. 538), the use of *'multiple investigators have two key advantages. First, they enhance the creative potential of the study. (...) Second, the convergence of observations from multiple investigators enhances confidence in the findings.'* In addition to this, informant triangulation was used where the data was compared and contrasted with the sample, as argued by Eisenhardt and Graebner (2007, p. 28), '*using numerous and highly knowledgeable informants who view the focal phenomena from diverse perspectives*.' The key actor's response was validated first with other JAFZA management participants, followed by JAZA companies' participants and other data sources. It showed internal coherence within the findings.

However, the case is not applicable for external validity (also referred to as transferability) because it is a unique case in an emergent economy. On the other hand, the theoretical constructs (resolution of paradox embedded agency and legitimacy mechanisms) developed for the study that are aimed at theory refinement of existing theories can be used for other studies.

3.7 Ethical Considerations

Since this is a qualitative research investing a social phenomenon that involved individuals and organizations, therefore ethical issues were taken into consideration throughout the study to avoid any unanticipated problems (Bryman and Bell, 2007, Yin, 2009).

All the research activities throughout the study were carried out in accordance with the requirements of University of Reading Ethics Committee. Prior to data collection, the University of Reading Ethics Form was completed and submitted to the relevant department, signed by the researcher, the supervisor and the head of the department. The Information sheet and Interview guide was sent to the participants' sample prior to interviews so they had an option to opt out from being part of the study. The final participant sample signed individual Consent Forms on the day of the interview as the interviews took place at the participants' workplace in Dubai. Additionally, the participants were assured to skip out on any probing questions if they felt uncomfortable in answering them. The participants were informed once again before the commencement of the interview about the purpose of the research, and how and where the information is going to be used.

There were mixed confidentiality requests from the research sample; however, it was ensured that their anonymity and privacy were maintained throughout the research period according to university regulations. However, the key actor in the study permitted to disclose his name so it was used fairly. The data collected was handled and stored securely.

Plagiarism is a severe offense in relation to research that was taken into account as well. I ensured that all the information and material sourced was cited acknowledging the original work of authors. Finally, my PhD studies were financed by the studentship offered by Leadership, Organizations and Behaviour department of Henley Business School, University of Reading. Such an investment is expected to produce substantial research. Hence, I tried to be a good citizen of Henley Business School and aimed to conduct research appropriately with an objective to deliver tangible contribution to the research field.

3.8 Conclusion

This chapter described the methodology adopted for the research to explore the relationship between legitimacy and institutional entrepreneurship, and the rationale behind it.

In line with interpretivist approach of this qualitative study, an exploratory single case study design was preferred. A free zone, JAFZA in an emerging economy context Dubai, UAE was carefully and purposefully decided on. Several data sources of evidence were used mainly interviews, history books and archival data. The sampling method chosen for the study was purposive sampling to produce information-rich data about the phenomenon under investigation. A total of 18 in-depth semi-structured interviews were conducted with two participants sample – JAFZA management and JAFZA companies. The interviews were recorded with the participants consent and transcribed. The data was analyzed and triangulated to ensure and maintain the consistency, and reliability of information. Lastly, ethical considerations were also taken into account for all the research activities carried throughout the study.

The next chapter introduces the conceptual framework developed for the study by exhaustive synthesis of literature and empirical data, using systematic combining approach.

Chapter 4: Conceptual Framework

This chapter introduces the conceptual framework as a 'road-map' to guide this research study. Section 4.1 briefly explains the key concepts and theories examined for the study. Section 4.2 states the research gap and research questions. Section 4.3 is divided into three parts – Section 4.3.1 takes the concept of embedded agency paradox further and attempts to resolve it by separating out an institutional entrepreneurial action into actual innovation and legitimacy acquisition. And Section 4.3.2 and 4.3.3 entails the detailed description of the frameworks used to develop the relationship between institutional entrepreneurship and legitimacy. Section 4.4 explains the framework (based on Section 4.3.2 and 4.3.3) developed for the current study to explain how an institutional entrepreneur acquires legitimacy for a novel innovation. Section 4.5 summarizes the key points of the theoretical findings. Lastly Section 4.6 indicates about the empirical setting – Jebel Ali Free Zone, Dubai where this study is going to be carried out.

4.1 A Brief Overview of Key Concepts and Theories

Entrepreneurship is considered to be one of the vital mechanisms for economic development – via innovation, increased productivity and employment (Schumpeter, 1934; Acs and Audretsch, 1988; Wennekers and Thurik, 1999). However, the orientation of entrepreneurial activities varies among countries (Autio, 2007), indicating the differences in the institutional contexts. In comparison to developed economies, the institutional structures in emerging countries are not mature and established that lead to these differences in the nature and level of entrepreneurial activities (Peng 2001), ultimately leading to dissimilarities in economic development of these countries.

Lately institutional theory has been in a spotlight since several researchers started to notice that institutional structures should not be taken as for-granted systems; these structures play a significant role in economic stability of an economy (Peng, 2002). North (1990, p.3) described these institutions as '*the rules of a game'*. He categorized them into '*informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)' … Institutions provide the incentive structure of an economy; as that structure evolves, it shapes the direction of economic change towards growth, stagnation, or decline* (1991, p. 97). While Scott (2008) distinguished these similar institutions into regulative, normative and cognitive arrangements, that direct individuals and society actions. These institutional arrangements provide basis for social interactions and give meaning and sense to the thoughts and beliefs of the individuals. It can be argued; institutions provide structure to a context by guiding people how to behave. However, institutional theory does not explain how a change occurs in an institutional structure as it has always associated these structures mainly with endurance and stability rather than change (Jepperson, 1991; Scott, 2001; Ansari and Phillips, 2011).

DiMaggio (1988) provided an explanation for an institutional change by bringing back agency and interest to an institutional theory by proposing a concept of 'institutional entrepreneurship'. The phenomenon 'institutional entrepreneurship' refers to the '*activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones*' (Maguire, Hardy and Lawrence, 2004, p. 657). A change can either be a '*jolt in the form of social upheaval, technological disruption, competitive discontinuities, or regulatory changes* enabling institutional entrepreneurship by disturbing *'the socially constructed field-level consensus with the introduction of new ideas and thus the possibility of change'* (Greenwood, Suddaby and Hinning, 2002, p. 60). In other words, institutional entrepreneurs are defined as change-agents who are responsible for bringing change to the institutional structure (social, cultural and political) of an economy (DiMaggio 1988; Becket, 1999; Greif and Laitin, 2004). These actors (institutional entrepreneurs) are able to influence the prevailing institutional patterns and schemas by introducing new ideas or innovations through the process of de-institutionalization and re-institutionalization, and hence an institutional change.

This implies that these actors must have exceptional skills to be able to alter the existing structures by convincing people and acquiring resources for their ventures (DiMaggio, 1988). For example, some researchers agree that these types of actors might belong to a higher hierarchy in an organizational structure, which gives them some power and authority allowing them to take such actions (Hargadon and Douglas 2001; Munir and Phillips, 2005). Similarly, Garud, Jain and Kumaraswamy (2002) pointed the importance of political tactics possessed by these institutional entrepreneurs to build networks of co-operation and association to negotiate with the stakeholders. Institutional entrepreneurs are said to have analytic skills, able to reflect on prevailing routines and procedures, and realize alternative methods to bring an institutional change (Beckert, 1999). These actors are also seen to have cultural skills that help them to frame issues in accordance with the wider context's beliefs and norms to capture the interest of their audience (Ansell, 1997).

However, there seems to be a contradiction that how can these institutional entrepreneurs, who themselves are a by-product of these institutions, able to bring a change in the institutional structure (Battilana, 2006). In other words, actors are the derivatives of these institutions. These actors look at the environment through the lens of these institutions that define their identities and interests so, how can they challenge to change it and convince others to follow it. Garud, Hardy and Maguire (2007) states the same problem as *'if actors are embedded in an institutional field and subject to regulative, normative and cognitive processes that structure their cognitions, define their interests and produce their identities, how are they able to envision new practices and then subsequently get others to adopt them?'* (p. 961). This contradiction, known as, 'paradox of embedded agency' still remains unresolved (Leca, Battilana and Boxenbaum, 2008).

Nevertheless, the ability of an institutional entrepreneur to bring about institutional change implies that the novel concept introduced by her/him has acquired legitimacy. An activity being validated by either stakeholders or general population gives it a sense of legitimacy. It is a perception that allows entrepreneurs to acquire approval from the stakeholders. It helps them to acquire necessary resources, for example, investment, marketing capabilities or technological expertise etc., to keep the venture afloat and survive (Suchman, 1995). It not only provides means for survival and growth; but also contributes to how people perceive an organization. It seems to provide an organization with social credibility and trustworthiness (Zott and Huy, 2007). Therefore, the understanding of an organization based on its activities, teams, products and procedures etc. helps people to view it either as legitimate or not legitimate.

However, if the organization is unable to deliver what it promised, then it has to bear the consequences. This might lead to difficulty in surviving or even losing its legitimacy completely, especially if it is a newly established venture. Newly established ventures have to overcome their liability of newness (Stinchcombe, 1965) as they do not have a past track record of success and would have not attained a legitimacy threshold yet. So it might become problematic for new ventures if they fail to provide promising outcomes. It is even true for organizations that are established and perceived already as legitimate.

Since established organizations might also have to struggle to regain legitimacy if they happen to lose it due to any reason.

Legitimacy threshold is defined as '*the point at which, from the entrepreneur's perception, the organization moves from an untenable collection of resources to a potentially sustainable enterprise'* (Rutherford and Buller, 2007, p. 78). In other words, when a new venture gets the very first ray of legitimacy either from the stakeholders (for example, a loan from a bank) or society (for example, a positive review of product), it is considered to reach the point of legitimacy threshold. It then becomes relatively easier for the new ventures to gain further resources once they have crossed-over the point of legitimacy threshold. It implies that legitimacy acts as a resource for acquiring further resources for growth and sustainability. There is no tool to quantify the level or amount of legitimacy that an organization needs in order to overcome the barrier of being 'not legitimate'. However, there is a belief that an organization with a smooth flow of resources available to it can be considered as legitimate (Terreberry, 1968), if only by inference.

The process of gaining, maintaining and repairing legitimacy is an on-going activity that changes dynamically, and organizations have to actively maintain it. For example, United Airlines recently faced a jolt in preserving its legitimacy with the people in a very public setting. The shares of United Airlines dropped by 4% when the airline forcibly removed the customer from the plane to accommodate its own employees, indicating the immediate loss of legitimacy in the market. An apology, a day and half later, from the CEO of United Airlines failed to appease its customers. This was a major setback for the airline when it was still trying to revamp its image after ranking at the bottom of the customer satisfaction indexes for several years (Kottasova, 2017).

On the other hand, Toyota recently recalling its 2.8m vehicles globally over safety fears (crack in the fuel emission control unit) did not lose its credibility per se. Earlier in 2009 and 2010, Toyota recalled a large number of vehicles due to its accelerator pedals getting stuck and had to pay $1.2bn settlement to US Justice Department (Davies, 2016) that saw it as concealing the information (accelerator pedals getting stuck) from the customers. Toyota had to follow the agreed guidelines for three years on its behaviour as given by the court and there were also few changes seen at the executive level. Since then Toyota had tried to be more responsive to the customers and its sales has recovered from this shock. It implies that even an established and a reputable organization like Toyota suffered from such an incident (2009 and 2010), as it was perceived irresponsible by the public. Toyota learned from its experience and wanted to do right by the customers when the recent problem (crack in the fuel emission control unit) arose. That is, generating a recall for the cars by the Toyota itself might have signalled to the society that it cares about its customer's safety and quality of the cars while United Airlines CEO's apology coming too late did not help its image. Therefore, timely decision to resolve the legitimacy upheaval might save an organization losing its legitimacy.

As aforementioned, the process of legitimacy does not terminate ever because people constantly seem to assess organizations based on their either active or passive judgements. In the active mode, individuals' judgments are based on their effortful evaluations. In the passive mode, individuals use cognitive shortcuts based on readily available information. For example, people actively judged Apple when their first smart phone was marketed but now with a successful product history, people prefer to judge passively based on the information already available in the market unless its credibility gets damaged in future somehow. It implies that organizations need to constantly maintain their status of legitimacy, as every organization needs resources at different stages, moving from newly to survival to growth phase. Therefore, it is a continuous activity for an organization that involves gaining, maintaining or regaining legitimacy.

Several researchers have tried to explore the phenomenon of legitimacy from several perspectives, shedding light on legitimacy types by categorizing into different sources and strategies (e.g. Aldrich and Fiol, 1994; Suchman, 1995; Zimmerman, 2002). Some being more focused on the cognitive than the evaluative side and some more on evaluative than the cognitive aspect. The main difference in various definitions is found to be around pragmatic (mainly in the interests of the evaluators) and regulatory (based on rules) perspective. While normative and cognitive aspect view things from the same perspective and make almost similar observations.

Organizations and different entities have been seen to use different combinations of legitimation tools to gain acceptance from the society, mainly, based on their strategic or an institutional course; the reason being that as institutions are *'not homogeneous or complete insofar as they do not precisely determine behaviour: multiple institutions may exist in a given field and conflict with each other; new members with different histories* *and experiences may join a field; and existing members may have excess to more than one filed ...'* (Hardy and Maguire, 2008, p. 204), meaning that different logics can be at play at a same time in the environment due to presence of actors with different practices, backgrounds, understandings and fields, etc.

Furthermore, no two contexts are identical. Institutional differences are found between developed and emerging economies, in terms of employment, infrastructure, innovation, resources, etc., so it is very difficult to set a definite construct of legitimacy that could be applicable to both developed and emerging economies. Furthermore, the ever so continuous changes in the organization life cycle and institutional structure give legitimacy a dynamic tendency making it challenging to measure it.

The legitimacy literature is still fragmented. There is no clear understanding of the working of the sources and strategies to acquire legitimacy. However, there is a consensus that legitimacy is an essential ingredient in any new ventures' success and survival or even for an established organization to survive and grow. Subsequently, there is little understanding of an institutional change triggered by an institutional entrepreneur and its acquisition of legitimacy. Hence, the focus of the current study is to establish a relationship between institutional entrepreneurship and legitimacy looking at how an institutional innovation gets accepted in a society in an emerging economy context.

4.2 Research Gap and Research Questions

Acquiring legitimacy by an institutional entrepreneur for a novel innovation is a phenomenon that is under-investigated, lacks rich insights and needs clear rationalization. The notion of acquisition of legitimacy by institutional entrepreneurs in an emerging economy with less mature institutions becomes interesting and worth exploring as the possibility of institutional entrepreneurship taking place is greater, offering a rich context to study.

There has been little focus on studying the difference between the institutional entrepreneur's actual creative act and the subsequent need for the entrepreneur to acquire legitimacy for her/his innovation. This study separates out these two components of institutional entrepreneurship and provides a solution to the paradox of embedded agency. In doing so, the study investigates the legitimacy acquisition process of an institutional entrepreneurial act and examines it from Baumol notions of productive and unproductive/destructive entrepreneurship perspective. Therefore, the gap in the literature has led to the identification of the following research questions.

Research Question 1: *Is it possible to shed new light on resolving the paradox of embedded agency?*

Research Question 2: *How is an institutional entrepreneur able to acquire legitimacy for a novel idea in an emerging economy?*

What are the mechanisms of legitimacy that an institutional entrepreneur uses to get her/his novel idea accepted and approved by the internal and external stakeholders?

Research Question 3: *What kind of institutional or ideological preconditions might be necessary for institutional entrepreneurial action to benefit or harm society in an emerging economy?*

The above research questions aim to fulfil the previously discussed theoretical gaps in the following way. *First,* the attempt is made to resolve the paradox of embedded agency with a new insight that might facilitate our understanding of the phenomenon of institutional entrepreneurship. *Second,* the missing element of legitimacy under the domain of institutional entrepreneurship is probed focusing on the mechanisms that an institutional entrepreneur undertakes in her/his journey of acquiring the approval for her/his novel idea. *Third,* focusing and exploring on an emerging economy context from Middle East region will achieve the objective of getting insights from rather a different context, and might help to understand the similarities or dissimilarities between developed and emerging economies.

4.3 Theoretical Framework for Legitimacy Acquisition

This section is distributed into three parts. The first part discusses the paradox of embedded agency with a view to provide a solution to the embedded agency paradox by unlocking the process of institutional entrepreneurship. The second section discusses the legitimacy process proposed by Johnson et al. (2006). The third section reviews the process model of legitimacy by Drori and Honig (2014), developed from Johnson et al. (2006) on which the basic framework of this research study is based. Though the Drori and Honig (2014) process model is an extension of the Johnson et al. (2006) framework but it is imperative to comprehend and discuss both frameworks as Johnson et al. (2006)

framework examines the entire legitimacy process while Drori and Honig (2014) looks at a particular aspect within the legitimacy process.

4.3.1 Embeddedness: An Enabling Condition of Institutional Entrepreneur

Institutions are structures, which shape human behaviour and are resilient to change (Scott, 2001). These institutional arrangements demand '*actor's compliance with the action prescribed by the institution'* (Zucker, 1977, p. 727) implying that the institutions direct actor's actions. Institutions provide endurance and stability to society rather than change (Jepperson, 1991; Scott, 2001; Ansari and Phillips, 2011). Several seminal papers (Meyer and Rowan, 1977; Zucker, 1977; DiMaggio and Powell, 1984) in the field of institutional theory have explained how institutions serve as contextual pillars to guide organizational/human actions. However, institutional theory fails to shed light on how an institutional actor brings change into an institutional structure. Institutional theory *'relies on over-socialized actors*' (Powell, 1991, p. 184) whose actions are directed by these institutions and are not able to bring any institutional change. In other words, institutional theory does not take into account any form of agency, and hence, is unable to explain institutional change (Scott, 2001). The question arose that how actors being guided by the institutions themselves can disrupt these same institutional patterns. Consequently, it provided a '*foundation for a shift in the attention of institutional researchers toward the effects of actors and agency on institutions'* (Lawrence and Suddaby, 2006, p. 217) rather than just the focus on institutions guiding actors.

It brought back the notion of 'agency and interest' in institutional theory (DiMaggio, 1988) as a response to 'over-socialization of actors' to solve the dilemma of agency associated with institutional change. DiMaggio (1988) introduced the concept of 'institutional entrepreneurship' to explain institutional change, also later called as 'endogenous institutional change' by Battilana, Leca and Boxenbaum (2009). The concept responded to the absence of agency in institutional theory, earlier associated with passive actors. DiMaggio (1988) claimed '*new institutions arise when organized actors with sufficient resources see in them an opportunity to realize interests that they value highly*' (p. 14), referring to them as *institutional entrepreneurs*.

In order for institutional entrepreneurship theory to hold, it was widely assumed that such actors are active on the periphery of an organizational field since they benefit the most by changing the institutional structures and are able to envision and enact change (Greenwood and Suddaby, 2006) as opposed to the centrally embedded actors who do not seek any change in the institutional setting as they are already the favoured actors of the field. Several studies documented the institutional change by peripheral actors (Rao, Morrill and Zald, 2000; Hensmans, 2003; Ansari and Phillips, 2011). A second argument to support the institutional change was that institutional entrepreneurship is mostly linked with emerging fields where the institutional patterns are not properly defined yet and are still in development stage (Garud, Jain, and Kumaraswamy, 2002; Maguire, Hardy and Lawrence, 2004). In comparison, mature fields are associated with clear institutional logics (Walgenbach and Meyer, 2008). It implies that there is relatively less chance in mature fields for an institutional change to occur by an institutional entrepreneur.

The idea was to keep intact the fundamentalism of institutional theory while allowing actors to enact changes based on agency (Goodrick and Salancik, 1996; Seo and Creed, 2002). But Greenwood and Suddaby (2006) explored the phenomenon of institutional entrepreneurship in a mature organizational field where a new organization form was introduced by large global accounting firms (Big Five), indicating the origin of change by centrally embedded actors from the centre of a highly institutionalized field. It can be argued; a change can occur even in mature fields if an opportunity arises and is recognized by an embedded institutional actor. However, there is a possibility that an attempt made by an embedded actor to bring change to an institutional structure might differ with her/his level of embeddedness in a field and might be relatively easier as compared to a peripheral or a non-embedded institutional actor.

However, the notion of institutional entrepreneurship does not come without criticism as earlier institutional studies considered institutions to be more powerful overriding the agency of actors while the institutional entrepreneurship studies considered such actors to be more influential than the institutional patterns, negating the foundation of an institutional theory. This theoretical contradiction of 'institutional determinism and agency', also known as the 'paradox of embedded agency' remains unresolved (Seo and Creed 2002, p.226). This contradiction needs to be disentangled '*in order to solidify the* *foundations for theory of institutional entrepreneurship that corresponds to the theory of action of neo-institutional theory'* (Battilana, 2006, p. 670).

Different views have been presented to resolve the embedded agency paradox. One of the views talks about embedded actors being part of more than one organization field so they are exposed to different institutional logics (Greenwood and Suddaby, 2006) or the entry of new actors from other organization fields into a focal field brings in new institutional logics (Zietsma and Lawrence, 2010; Smets, Morris and Greenwood, 2012) and hence, institutional change occurs. Another view talks about the capabilities of the embedded actors themselves. It might be an ability of an actor to reflect on his own position in a field (Reay, Golden-Biddle, and Germann, 2006); or it might be either access to the resources or the social position of the key embedded actor (Battilana, 2006) that helps her/him to recognize an opportunity to turn it into an accomplished task, leading to institutional change. Another view to resolve the paradox can be on the basis of socially constructed world (Berger and Luckmann, 1967), that '*the objectivity of institutional world is produced by humanly produced, constructed objectivity. Before being 'objectivated' (i.e. experienced as an objective reality) by human beings, institutions are produced by them'*, argued by Battilana (2004, p.5). It claims that actors, though a by-product of these institutions, also had a role in forming and shaping these same institutions before they became a norm. Another alternative explanation to resolve the paradox of embedded agency could be that immature or partly established institutions in new emerging fields could lead to embedded agency due to the continuous process of institutionalization till the institutions become mature and fully established (Seo and Creed, 2002). Or it might be that institutions are nested systems within systems, which leads to unclear institutional prescriptions because of their complexity and intricacies (Holm, 1995). No clear explanation exists yet. There is still a need to unfold the paradox of embedded agency, as no consensus has been reached yet.

I propose that the paradox of embedded agency is resolvable by considering embeddedness as a property of an institutional entrepreneur, distinct from the act of innovation. Embeddedness is an enabling condition for an institutional entrepreneurial action but is not a requisite for innovation. In other words, embeddedness is not crucial to the innovation but is crucial to the acquisition of legitimacy or at least internal legitimacy. The literature has seemed to conflate the actual process of 'creative innovation' with 'acquisition of legitimacy'. And successful institutional entrepreneurship is a conflation of these two processes, in other words, for an innovation to be called a 'successful innovation', it requires legitimacy. But if we separate out these two activities, we can see that an individual institutional entrepreneur has two characteristics – 'creativity'[25] as an entrepreneur to come up with an innovative idea, and the 'ability' to acquire legitimacy. This implies that embeddedness is likely to support the acquisition of legitimacy, because an institutional entrepreneur can acquire at least internal legitimacy more easily (mainly, from internal[26] stakeholders) if s/he is embedded in that same organizational field or structure where s/he intends to bring change.

It can be said that embeddedness might be a pre-condition to be able to acquire legitimacy but definitely not a mechanism[27]. A mechanism is an instrument or a technique, for example, might be trust, power, authority, political negotiation or rational discourse to win over the stakeholders, serving as initial gatekeepers of the resources. So embeddedness is not a mechanism on its own but it is a property that would allow an institutional entrepreneur to be able to use one of several available mechanisms to acquire legitimacy. Consequently, legitimacy acquisition is likely to be pre-conditioned, not exclusively, on embeddedness.

Therefore, the paradox of embedded agency is resolvable when two processes of successful institutional entrepreneurship are separated out – 'innovation' and 'legitimacy acquisition'. Innovation requires creativity but legitimacy acquisition requires embeddedness. In other words, innovation is associated with the individual's entrepreneurial abilities that s/he might acquire by being a part of a different institutional field or two/more institutional fields at a same time (Greenwood and Suddaby, 2006); or s/he might be able to recognize an opportunity by realizing alternative solutions to address some institutional void in the structure (Reay, Golden-Biddle and Germann, 2006). Whereas acquisition of legitimacy might be conditioned on the embeddedness of an actor providing her/him access to the resources either due to her/his networks granting

[25] Creativity is one of the traits of an entrepreneur that allows her/him to innovate. Since the area of traits is outside the scope of this study so it is not explored here.
[26] Internal stakeholders in this study's framework are taken as stakeholders (resource-providers) and members (employees), different from Drori and Honig (2014) framework.
[27] Mechanism is used here as a tool or instrument to acquire legitimacy, while property/condition is taken here as an intrinsic/inherent element.

him legitimacy or her/his own social position granting him trust and loyalty of her/his peers to make the change happen (Battilana, 2006). Thus, embeddedness is a property of an institutional entrepreneur granting her/him legitimacy from the stakeholders (internal) that is entirely independent of the creative trait of an institutional entrepreneur.

4.3.1.1 Mechanisms to Acquire Legitimacy

The paradox of embedded agency becomes resolvable when institutional entrepreneurship is teased out into its two separate components – creative innovation and acquisition of legitimacy. In other words, creative act of an entrepreneur is distinct from acquiring legitimacy. Acquisition of legitimacy might be granted more readily to embedded institutional actors of the respective field than non-embedded institutional actors. Therefore, embeddedness is likely to be one significant property that allows institutional entrepreneurs to get at least internal legitimacy.

Subsequently, the range of mechanisms available to acquire legitimacy might differ for embedded and non-embedded actors. Furthermore, the range might also vary for the embedded actors depending upon their level/depth of embeddedness. I define Embeddedness of an Institutional Entrepreneur as – *an enabling condition for an institutional entrepreneur, nested in the system, which facilitates her/him to acquire internal legitimacy at minimum*. Since the institutional entrepreneur is generally an embedded actor, embeddedness is likely to provide such an institutional entrepreneur some additional mechanisms to acquire internal legitimacy than to a non-embedded institutional entrepreneur.

I have listed different mechanisms for legitimacy acquisition in Table 4.1 below. The mechanisms highlighted in *italics* refer to the possibility of being available to an embedded actor relatively easily than a non-embedded actor. However, this does not refute the idea of these mechanisms being available only to embedded actors. Non-embedded actors might also adopt these mechanisms, but embedded actors might have a better chance to convince the stakeholders by adopting these mechanisms due to their contextual embeddedness. Further description of these mechanisms is available in Table 4.2.

Table 4.1: Legitimacy Mechanisms for Legitimacy Acquisition

Mechanisms to Acquire Legitimacy	
- Intention/Motivation - *Vision* - *Environment* - *Social Position* - *Trust* - *Track Record*	- Best Practices - Skills and knowledge acquisition - Rhetoric - Incentives - Symbolic Management - Outcomes

The legitimacy mechanisms emerged through the back and forth iterations carefully done between the literature and empirical data. Research indicates that entrepreneurs use such mechanisms to acquire legitimacy either for their new ventures or established organizations. However, these mechanisms have been adapted to cater to the field of institutional entrepreneurship, differentiated into embeddedness/non-embeddedness. The illustration below shows how an institutionally embedded actor can potentially use these mechanisms to her/his advantage.

Embeddedness first and foremost influences intention (motivation) and vision of an institutional entrepreneur. Since s/he is a part of an institutional structure and probably has know-how better than a non-embedded actor so s/he might be able to identify institutional gaps more readily. It implies that s/he is in a better position to come up with a creative idea that could address the needs of a society as compared to a non-embedded actor. An embedded actor might also be more adept than a non-embedded actor in selecting the best environment that could provide her/him with the best possible resources for her/his novel idea. For example, it might be relatively easy for an embedded actor to identify a geographical location for her/his novel idea in a close vicinity of other related established firms that gives credibility to her/him idea. An embedded actor's social position in the social system allows her/him access to the potential networks and stakeholders much easily as compared to a non-embedded actor. Subsequently, it lets her/him to gain trust of these stakeholders as these stakeholders might know her/him as a person or they might be aware of her/his capabilities/skill-set. People are more inclined to trust an embedded actor with a successful track record, however, if s/he could show some kind of alliance with any establish entities. This in turn might provide him further resources, for example, further connections and co-operation for the innovation. Therefore, an embedded actor uses all of these above-mentioned mechanisms to the best of her/his advantage to approach and convince the stakeholders to gain legitimacy (internal).

It can be argued, an institutional entrepreneur within a field, whether be a highly embedded actor or a peripheral actor, will be more influential and resourceful than a non-embedded actor in acquiring internal legitimacy and consequently, the resources. Furthermore, an embedded actor on the peripheral point of the institutional field might be still more persuasive than a non-embedded actor by virtue of being a part of that particular institutional field. Table 4.2 below provides the descriptions of legitimacy mechanisms mentioned above in Table 4.1.

Table 4.2: Legitimacy Acquisition THEMES for an Institutional Innovation

Themes	Interpretation	Orientation
Intention and/or Motivation	- Working in an unfavourable environment might motivate I.E to initiate change. - Recognizing and seizing the opportunity.	- Entrepreneurial activity is considered to be an intentionally planned behaviour (Sabah 2016, p. 1) - Motivation plays an important part in the creation of new organizations, theories of organizational creation that fail to address this notion are incomplete (Herron and Sapienza 1992, p. 49)
Vision	- I.E should have a very defined vision of the idea in which he/she should have total belief. So that I.E is able to strongly convey the idea to the main authorities.	- Vision requires clarity of direction from the entrepreneur along with the delineation of roles and the development of reward systems for all those who join the enterprise (Smilor, 1997).
Environment	- Selection of the geographical location that provides the best possibilities and resources gives an authenticity to the innovation. - Geographically present within the vicinity of the established firms gives a perception of authenticity (branding).	- Selection involves locating in a favorable environment (Scott, 1995) - Selecting domains in which the norms and values are more accepting of the venture's products/services and/or vision (Zimmerman and Zeitz 2002, p. 424)
Social Position	- The key I.E has a higher rank in the organization hierarchy. - The social position of the key I.E allows him/her to influence the main body giving approval. - The higher the position, higher the power to influence.	- Dorado defines social position as '*their position in the structure of social networks*' linking it with the kind of people and networks an actor knows (2005, p. 397). It impacts on actors' perception of the field and their access to resources. - A social position of an institutional entrepreneur is considered an enabling condition to bring

		change to an institutional structure (Battilana, 2006).
Trust	- The authorities are able to trust the I.E as a person. - The authorities are able to trust in the capabilities of an I.E. - People are able to trust those initiatives of I.E of which a government (trustworthy) is a shareholder.	- Trust builds on initial knowledge about the partner. Personal trust may depend on the characteristics of a group such as an ethnic group or kinship, but it also occurs in bilateral (business) relationships, often-longstanding ones, where persons have come to know each other (Höhmann and Welter, 2004, p. 6).
Track Record	- Previous successful decisions or track record is seen as a positive sign by the main bodies (institutions/government giving approval.	- Venture capital firms perceive a successful track record as evidence of skill, not just luck (Gompers et al, 2006)
Best Practices	- Incorporating the best practices of the field to get higher returns. - I.E use successful models operating elsewhere as prototypes to convince and assure stakeholders.	- By following societal norms, rules and regulations and complying with ideas, models, practices etc. seem to provide authenticity to an organization (Zimmerman and Zeitz, 2002) - Entrepreneurs may extend the analogy metaphorically, and thus stress the similarities with established business concepts in more remotely related industries (Werven, Bouwmeester and Cornelissen, 2015)
Skills and knowledge acquisition	- Hiring skilled people. - Contracting experienced management to look over the procedures.	- Gulati and Higgens (2003) found that recruiting senior managers based on their previous affiliation with prominent organizations enhanced the legitimacy of young biotechnology firms

Rhetoric	- Using story-telling techniques and powerful negotiation and communication skills to convince people.	- Rhetoric is useful to justify a new activity or idea as efficient and effective, appeal to socially accepted norms, and excite others' interests (Ruebottom, 2013)
Incentives	- Providing incentives to lure people into the project.	- Both monetary and non- monetary incentives are considered as workplace motivators (Nandanwar, Surnis and Nandanwar, 2010).
Symbolic Management	- The effort to control or influence other people's perceptions, for example, by getting involved in charitable events. -	- Entrepreneurs are more likely to acquire resources for new ventures if they perform symbolic action (Zott and Huy 2006, p. 70) - Stories are important organizational symbols that help legitimate new firms (Lounsbury and Glynn, 2001, p. 549)
Outcomes	- Showing and producing proper and tangible results.	- 'Performance, success and survival are among the more common operationalizations' (Yusuf, 2010, p. 326), along which an entrepreneurial outcome is measured. 'A successful new venture was defined to be a venture that had (1) provided acceptable returns on investment to the founders and investors and (2) met predefined goals and objectives' (Song, Song and Parry, 2010, p. 132)

From the above discussion, it is clearly seen that the claim of institutional theory of 'over-socialized' actors does not hold true, as an institutional entrepreneur is able to innovate and think of alternate ways to address a need in the society by either altering or changing the institutional structure. In other words, being a part of a structure and wider society at the same time enables an institutional entrepreneur to understand the do's and dont's of the field clearly. It can be argued, an (embedded) institutional entrepreneur might have a slightly better chance of successful adoption and legitimization of a new novel schema by responding to cues from the society due to his property of embeddedness.

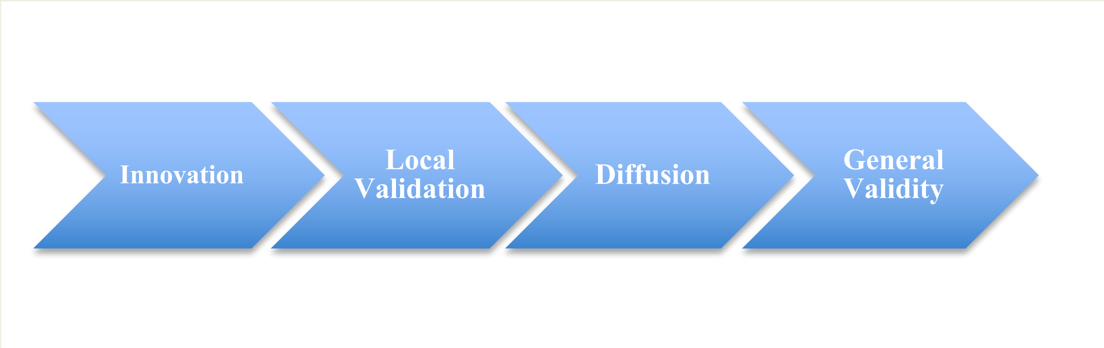
Therefore, embeddedness within an institutional field acts as an enabling condition for an institutional entrepreneur to acquire at least internal legitimacy from the stakeholders. This embeddedness property of an institutional entrepreneur tends to provide him additional mechanisms to acquire legitimacy, which might not be easily available to a non-embedded actor, making the path of institutional change relatively easier.

The next sections 4.3.2 and 4.3.3 explain the frameworks on which the framework of this study is based.

4.3.2 Legitimacy as a Social Process

Though legitimacy is discussed in various literatures and different typologies of legitimacy have been presented but so far, there is no legitimacy acquisition process that explains the entire process how legitimacy is acquired. However, Johnson et al. (2006) successfully attempted to explain how new schemas and patterns become widely acknowledged into the wider context, in a form of a process. The authors constructed the model by examining the notion of legitimacy from two perspectives 'social psychology' and 'organizations'. Legitimacy theories in social psychology are more formal in nature, and the hypotheses are derived typically from experiments. Legitimacy research in institutional approaches to organizations, on the other hand, usually involves testing of hypotheses with longitudinal analyses that takes into account the historical context of the object of legitimation. The authors found that even though both the views look at legitimacy from different viewpoints and techniques, however, legitimacy, within both fields, can be described as a social process regardless of the level of analysis or type of social object. The authors categorize the legitimation of new social objects into four phases, calling them as innovation, local validation, diffusion, and general validation respectively[28].

Figure 4.1: Four stages of legitimacy (Based on Johnson et al. (2006))



Adapted from Johnson et al. (2006)

Innovation: According to Johnson et al. (2006), a social innovation is created to address some need, purpose, goal, or desire like developing new ways of thinking to accomplish the tasks or developing new procedures which are linked to the existing, widely accepted cultural framework of beliefs, values, and norms. Besides entrepreneur's other attributes, the 'ability of an entrepreneur' to come up with a novel idea is based mainly on her/his judgment criteria and knack of recognizing the opportunity when nobody else can see it. An entrepreneur's vision and intention allow her/him to recognize the gaps in an institutional structure to select the best possible environment to execute her/his idea in a best possible way.

Local Validation: An innovation requires validation in order to sustain and grow. Actors justify an entrepreneurial activity by how it addresses the immediate needs or goals in a situation consistent with the wider beliefs. An institutional entrepreneur takes advantage of her/his social position or association with some elites in an institutional structure to access the stakeholders and makes efforts to persuade them of her/his idea. S/he uses rhetoric skills to explain the idea and relays the significance of the project with her/his powerful communication skills to persuade the stakeholders by giving examples of

[28] The legitimacy process by Johnson et al. (2006) is being described here with the use of mechanisms (as a successful example) as adopted by an institutional entrepreneur. However, the sequence or the variety of mechanisms can differ with respect to different fields and contexts.

successful accounts. The innovation acquires local validation when the stakeholders perceive it to be a beneficial entrepreneurial activity.

Diffusion: A new prototype or cultural schema is born as an acceptable way of doing things to meet local needs/goals and once this new prototype is locally validated, it may be diffused into other new, local settings. An entrepreneur uses best practises of the field to incorporate into her/his innovation so s/he could get the positive outcomes that s/he promised in the beginning with the stakeholders. It is also necessary to get approval from the society; for example, winning them over the product/service that is beneficial to them. S/he uses different incentives to attract people to her/his organization, for example, by hiring professionally skilled people with more remuneration. S/he might acquire certifications, like ISO - 9001 to further prove the authenticity of the project/organization. S/he also uses symbolic management practices like participating in socially responsible activities to make her/his organization more credible in the eyes of both stakeholders and the general population.

Since now innovation is taken as a valid social fact after successfully applying the above mechanisms, it is adopted more readily and needs less justification to get validated outside its local context. That is, once an institutional entrepreneurial act is validated in one field, its adoption to any other field within the same context or economy becomes easier since it is proven to be a successful innovation with a positive impact.

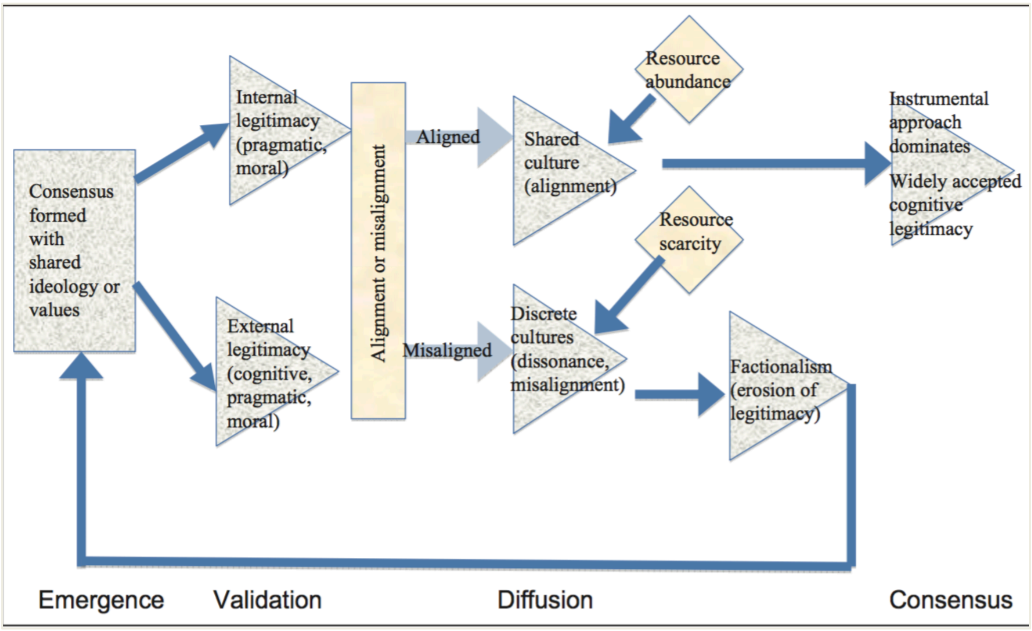
It can be argued, internal validation from the stakeholders seems to be more important as compared to the external validation from the society. The reason being, once the idea passes through the stakeholders, gets approved and is being deployed, the society takes it as a testimony and approves it. Since it has already passed the stakeholder's scrutiny, the society assumes that it is for the wider society benefit and gives their vote by adopting that new innovation unless a jolt/shock makes them to withdraw their support. It implies that the general population's perception about the innovation is usually based on the information communicated to them by the stakeholders. If the stakeholders approve the idea then the society most probably will also accept, provided the society trusts the stakeholders and vice versa.

General Validation: Over time, as a result of the diffusion of the new social object across fields/contexts, it creates a general consensus about the appropriateness and validity of the activity/social object. People take on the belief that the innovation is advantageous, and it becomes generally validated.

4.3.3 A Process Model of Internal and External Legitimacy

Following Johnson et al. (2006), Drori and Honig (2014) proposed a framework that explains the relationship between internal and external legitimacy in detail through a four-stage legitimacy process perspective. The stages, namely, ‘emergence’, ‘validation’, ‘diffusion’ and ‘consensus’ are developed based on the same principles that Johnson et al. (2006) used (above Section 4.3.2) but are termed differently. These stages justify the interplay of social actors with practices, logics and values for acquiring internal or external legitimacy in an organization life cycle. However, the framework focuses more on the acquisition of internal and external legitimacy that takes place in the ‘validation’ phase. And how these two types of legitimacies are interlinked with each other. The authors use ‘external’ for the stakeholders and ‘internal’ for the members of an organization. (However, ‘internal’ would represent stakeholders and members (employees) and ‘external’ would represent society in this study’s framework and rest of the chapter).

Figure 4.2: A process model of Internal and External Legitimacy



Adopted from Drori and Honig (2014)

Drori and Honig (2014) claim that an organization not only deals with institutional conditions to acquire external support from stakeholders but also struggles for internal endorsement amongst its members (employees). The framework illustrates this fact that organizations have to constantly make an effort to gain not only external legitimacy but also internal legitimacy; contradicting the traditional fact of institutional approach that legitimacy is a resource external to the organizations (e.g. DiMaggio and Powell, 1983; Suchman, 1995; Scott, 2001). In other words, organizations also get effected how members (employees) perceive their own organization. Internal legitimacy helps to provide compliance from the members (employees) and resilience in the face of opposition.

It infers; legitimacy is a two-way channel. The perception of an organization being legitimate is not only significant in the eyes of external stakeholders that permeate inside the organization, but legitimacy is also carried from inside of an organization via members to the outside world. Because members are not only part of an organization; they also belong to a wider society. It could be transferred thorough various routes, for example, word of mouth, ethical practices or fair wages etc. It implies that internal legitimacy coexists with external legitimacy. Thus, the framework describes the constant interaction of internal and external legitimacy with the members and stakeholders how these two types of legitimacy have a tendency to support each other when these both legitimacies are in congruence. Else it can be difficult to maintain legitimacy if the internal values do not match up with the external values.

The authors argue that though external legitimacy is necessary, and organization has to acquire approval from the external environment and make its ethos, norms and values align with the prevailing institutional patterns. But sometimes a situation can arise where a difference of opinion occurs between views of internal members (employees/teams of an organization) and external stakeholders that might damage the internal balance of an organization. So, an entrepreneur might struggle to keep the soul of the organization (internal views) coherent with the external environment. Subsequently, an organization suffers if the balance between internal legitimacy and external legitimacy is not maintained. For example, Nokia lost its battle against Apple's iPhone. The views of the internal members differed from the changes happening in the market environment. Nokia (members) did not want to change its Symbian technology (operating system) with the onslaught of the Apple's smartphone in the market. There was disharmony between top management and middle managers of the company as middles managers were frightened to voice their opinions in front of temperamental leaders. Threats of firings or demotions were commonplace. They were constantly told that they did not meet the top manager's expectations and goals. So filtered information about its operating system being at par with Apple's iOS was passed on to the management to avoid unpleasantness. As a result, Nokia kept its Symbian technology intact. This created the imbalance between the internal and external environment of the company. Ultimately, Nokia lost its market, as it did not keep up with the changes happening with the external environment and society's demands (Vuori and Huy, 2016). Therefore, an organization might not only lose its internal legitimacy but also any survival chances if it does not change its strategy with the on-going changes in the market (e.g. Nokia).

So, a balance has to be found between these two types of legitimacy. It can be said, there is congruence between internal and external legitimacy that tends to complement each other. Therefore, it is essential to maintain both internal and external legitimacy in sync with the changes happening in the internal and external environment.

A further explanation of the internal and external legitimacy is given as claimed by Drori and Honig (2014).

4.3.3.1 Internal Legitimacy

The authors Drori and Honig (2014) define internal legitimacy amongst members as '*the acceptance or normative validation of an organizational strategy through the consensus of its participants, which acts as a tool that reinforces organizational practices and mobilizes organizational members around a common ethical, strategic or ideological vision'* (p. 447). According to this framework, internal legitimacy emerges in the formative years of the organization and serves as a boundary for future references. On one hand, it 'shapes the norms and practices' operating in the organization and on the other hand, it can both 'constrain and facilitates the organization's strategic action throughout its life' (Drori and Honig, 2014). Internal legitimacy is considered to be dynamic since it is constantly assessed with regard to the institutional changes as it impacts the internal norms and values of the organization.

Internal legitimacy is principally a derivative of member's perception of any new organizational activity or innovation. It emerges based on the founding team decisions and motivation to promote their organization as a credible and trustworthy entity by searching and adjusting their philosophy to the wider context in its early period. For example, Dr. Adib Rizvi' SIUT (Sindh Institute of Urology and Transplantation) in Pakistan was built, four decades ago, on an ideology of providing free kidney transplant and liver disease treatments, without any discrimination of financial status of the people. Since such expensive treatments in Pakistan are beyond common man's means due to poor standard of living (SIUT, n.d.). The members of SIUT and society perceive it as a trustworthy and credible organization because of its continuous maintenance of strong stance of free medical treatment. On the other hand, the institute has evolved incorporating other functions, for example an oncology center, with time responding to the changes in an external environment. Therefore, contextual conditions play a significant role in how members understand and think about an organization (Sewell, 2005). This way of searching and adapting through different activities and keeping up with the external environment is a key driver to acquire internal legitimacy in the nascent period for any organization and inevitably helps to attain external legitimacy.

4.3.3.2 External Legitimacy

According to this framework, there is a constant interaction between members (internal legitimacy) and stakeholders (external legitimacy). An organization responds to events and processes by confronting or sometimes aligning their practices and values with the external environment. When conforming to the external environment, an organization acquires external legitimacy, which in turn also strengthens internal legitimacy, as members perceive their organization to be doing the right thing. It implies; a relationship exists between internal and external legitimacy.

Gaining legitimacy from the stakeholders is a long and tedious process since '*it reflects the scrutiny and testing of external actors that look for positive signals regarding the organizations potential or capabilities'* (Drori and Honig 2014, p. 459). The key actor – institutional entrepreneur – plays a major role in gaining external legitimacy from the stakeholders. During the nascent period, the key entrepreneur tries to handle and organize the entire process in building up a project from scratch, so the founder usually plays a crucial role in cementing beliefs and values into an organization. S/he works on building up internal procedures, routines and beliefs to conform it to the wider environment, which at the same time helps to solidify her/his employees' trust on her/his capabilities and organization's strength. Hence, the key actor could act as a major player in the rise or fall of any organization. For example, Steve Jobs of Apple is a classic example of such an institutional entrepreneur who revamped the company from scratch and turned its failure into a success again, and designed products with functionality that resonated with users needs/wants worldwide (Fell, 2011).

However, sometimes a change in an external environment might force the 'key actor' to create external legitimacy in such a way that could clash with the views of internal members. The key actor might have to re-organize the values and beliefs on which an organization was built in order to keep getting the support of external stakeholders. But it might not sit well with the internal members if they feel betrayed with regard to an organization's values and ideology. The authors Drori and Honig (2014) claim that '*in order to obtain sufficient external legitimacy to support the infusion of new resources (external capital), it was necessary to make cultural changes that clashed with the established norms on which the firm's internal legitimacy was based. Thus, the entrepreneur (unwittingly) sowed the seeds of conflict, disharmony and dissolution, in* *attempting to manage the evolution of the emergent'* (p.456).

It can be argued, it can harm the internal legitimacy if the internal members do not feel themselves aligned with the change. It might sabotage the internal legitimacy if it is different from the expectations of the external environment but at the same time, it can help to attain external legitimacy from the stakeholders because an organization dealing with the external market is expected to align its operations with respect to the stakeholder demands, customer expectations and market conditions. However, if there is a constant conflict within the members of the organization, the external legitimacy might get affected. Since legitimacy is a two-way channel where internal and external legitimacy complement each other.

Therefore, the whole process of acquiring internal and external legitimacy is aimed at making an organization fit with the wider environmental values and beliefs. Any organization's goals or symbols for portraying legitimacy are used much for the rationalizations for the organization's existence. And at the same time, it reflects on the guidelines for internal organizational functioning. In other words, if prevalent accepted values and norms of a society, for example fair remuneration packages, fair treatment of employees, ethical products, etc. are reflected in a day-to-day organization's running then it can be said that it is a legitimate entity. For example, a recent case of Uber's CEO being filmed arguing with one of his cab drivers about unfair charges and policies again brought attention to the way the company has been dealing with the cab drivers. Uber has long been challenged by labour advocates and drivers by considering its employees as independent contractors rather permanent employees to avoid 'paying minimum wage, overtime, workers compensation and benefits' (Henderson, 2017; Smith, 2018)**.** This is again an example of imbalanced internal legitimacy where members are not happy with an organization how it acts towards them. It can outflow to the external environment causing loss of external legitimacy if appropriate actions are not taken within the right time frame.

Legitimacy is an outcome of how an organization acts (processes, dealings, methods, values, norms and beliefs) and performs, and is perceived based on these notions. For example, an organization selling cigarettes cannot claim to be legitimate since the output is destructive to the society. Or an organization, which is not fair in its dealings, cannot declare to be legitimate. Therefore, it implies that the process that involves the entire system of operation and output of legitimacy cannot be ignored, as it is as significant and vital as the goals and domain of any organizational activity (Dowling and Pfeffer, 1975). It implies that procedures and routines involved in organization's operations to acquire legitimacy should be legitimate as well as the output (the end result). Therefore, legitimacy acts as both a resource to gain further resources (as mentioned in Section 4.1) or as a constraint if an organization is not able to conform to the institutional environment. Acquiring, maintaining or regaining legitimacy (internal and external) is a continuous process that helps people in understanding the organizations better at what they do and how they do things. However, it should be kept in mind that legitimacy is dynamic, which changes as social values that define legitimacy, change.

4.4 Framework Developed for the Study

This section of the study focuses on conceptualizing the process of acquiring legitimacy, which comes into play when an institutional entrepreneur in an emerging economy attempts to alter or bring change in an institutional environment. It combines the concepts reviewed briefly in the Section 4.1 and presents a framework that will be used for the current research.

Since the part of this study is inspired by the institutional theory and neo-institutionalism idea that involves understanding the interaction between institutional structure and associated organizations and actors, so institutions are taken as '*cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour [...]. Institutions by definition connote stability but are subject to change processes, both incremental and discontinuous*' (Scott, 2001, p. 48). They guide human behaviour to gain social acceptance (DiMaggio and Powell, 1991).

The study defines legitimacy as, '*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*" (Suchman, 1995, p. 20). The legitimacy literature has been fragmented into strategic and institutional legitimacy where some favour one stream over the other (Tornikoski and Newbert, 2007) and some emphasize their mutually dependent existence (Beckert, 1999). However, insights will be drawn from both streams since both strategic and institutional legitimacy plays an active role in legitimacy acquisition.

Several legitimacy typologies have been discussed in the literature, but most seminal ones are by Aldrich and Fiol (1994), Suchman (1995), Zimmerman and Zeitz (2002) where legitimacy has been differentiated into types and strategies. For example, Zimmerman and Zeitz (2002) has strategies labelled as conformance, selection, manipulation and creation and types as socio-political regulatory, socio-political normative and cognitive. While Suchman (1995) has strategies down as gain, maintain and repair and types as pragmatic, moral and cognitive. These types and strategies are comparable but termed differently. It becomes challenging when these types and strategies have to be operationalized empirically into a single approach. Therefore, this study will focus on legitimacy mechanisms[29] rather than types and strategies, as it is easier to operationalize them.

Furthermore, the object of legitimation for this study is an organization. It is considered as a process from its establishment to the point where it diffuses and becomes a widely accepted schema. The process of acquiring legitimacy is a constant and continuous interaction between an organization and a society, leading towards either integration or disintegration that does not discontinue at its acquisition. Since it is a continuous activity, I will consider the activity of acquiring legitimacy as a social process. The study will reflect the evolution of the chosen organization over time.

It is worth to mention that the framework developed[30] for this study might also be applicable to investigate an entrepreneurial activity since the constructs of entrepreneurship and institutional entrepreneurship intersect with each other (Battilana, Leca and Boxenbaum, 2009). Institutional entrepreneurship involves deviation from the prevailing institutional arrangements without the necessity of creating a venture (or making profit). While entrepreneurship includes creating a business with an aim to yield profit that does not require any institutional deviation from the existing structures. But both the concepts bring out new possibilities and outcomes in the form of new rules and regulations or new products/services that need approval and acceptance from the society

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[29] Mechanisms considered in this study, for example, are trust, intention or vision, etc.

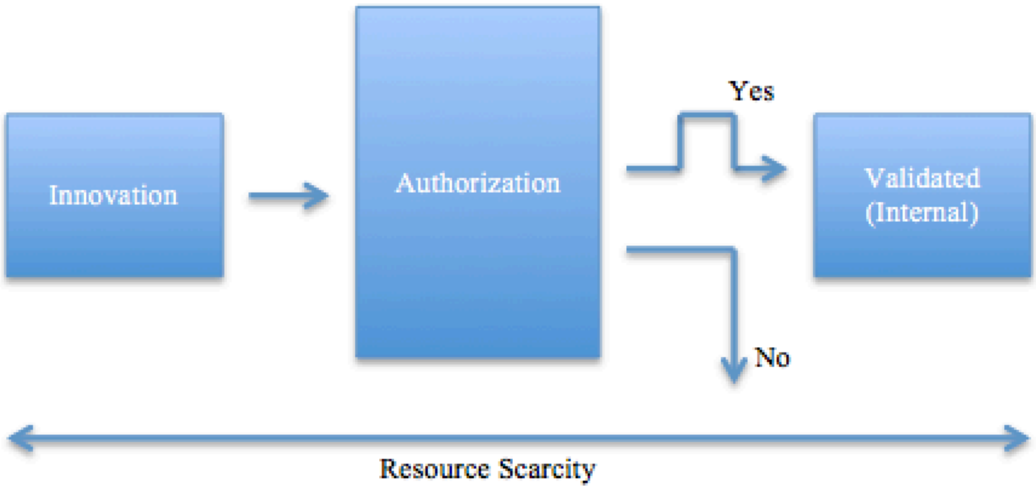
[30] The framework of this study to investigate an institutional entrepreneurial action is built on Johnson et al. (2006) four-stage legitimacy process. These four stages are constructed from the *'studies of the creation and legitimation of status beliefs and two organizational forms, the for-profit corporate form and the nonprofit arts form' (p.72)*. It indicates the possibility of applying the framework to an entrepreneurial activity.

to be legitimatized and to be deemed successful. So, the framework can also be utilized to explore legitimacy acquisition process of an entrepreneurial action.

Following the frameworks described in the above section (see Section 4.3.2 and 4.3.3), I propose a framework for an institutional entrepreneurial activity that passes through two phases of legitimacy – dealing with the internal and external environment. It becomes locally accepted first and subsequently becomes a generally accepted and approved schema. However, these changes do not occur instantly; rather it is a lengthy process that happens over a certain period of time. I use internal legitimacy referring to stakeholders and members (employees) of an organization and external legitimacy referring to the society; it was vice versa in the process model proposed by Drori and Honig (2014) (Section 4.3.3). I explicate these phases based on the frameworks explained above; using various approaches that institutional entrepreneur adopts to acquire legitimacy for her/his novel innovation.

Phase 1: Stage 1 – Innovation: Institutional entrepreneurs recognize the opportunity and think/create a solution that addresses some kind of institutional need based on their observation and experience. This change could either be radical or incremental. Institutional entrepreneurs are able to connect the dots by bringing in their creativity for alternative prospects enacted from past practices and future projects, simultaneously considering the possibilities of the present. An entrepreneur's judgement to envision the opportunity provides him a chance to think of unconventional and alternative ways to create novel ideas and innovations specially when s/he is an embedded actor. The property of embeddedness gives her/him insights that might not be available to a non-embedded actor. This stage is one of the critical stages in an idea generation as the intention and motivation of an institutional entrepreneur has great significance on the outcome of the innovation as it could lead to something that could provide benefit to the society or not.

Figure 4.3a: Phase I



Phase 1: Stage 2 – Authorization: After the emergence of an innovation/idea, institutional entrepreneurs, in the next step, have to get their idea authorized from the stakeholders so that it can get access to the resources needed to start-off the project. Here, the '*authorization'* refers to the legitimacy obtained from internal stakeholders. First and foremost, institutional entrepreneurs gather data based on facts and figures where similar or closely similar projects have been accepted and approved. This gathered information as 'validated examples' becomes useful for institutional entrepreneurs in negotiation and argumentation with the internal stakeholders to convince them of a novel idea. These internal stakeholders though are external to the organization, but they act as internal initially. In other words, they might not be involved in day to day running of a project, but an institutional entrepreneur has to constantly negotiate and debate with them to get their acceptance. They authorize the resources like government approval, funding from some external source or professional expertise from a potential partner for the project. In other words, these stakeholders are gatekeepers to resources required to kick-start the project. The justification for the project comes, mainly, from the similar projects that might be operating in some other context with positive outcomes. This provides justification to the stakeholders that her/his idea would be favourable to the society and deliver economic or social advantages in the long run.

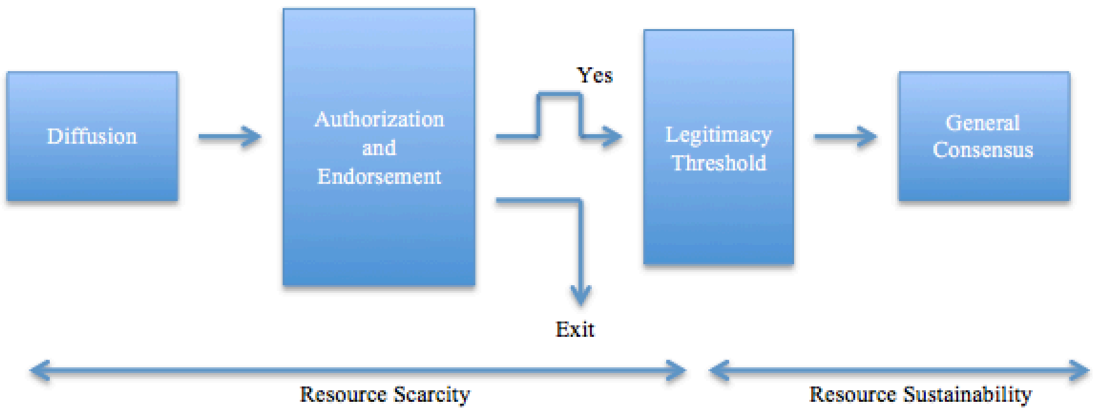
Phase 1 – Stage 2 involves various legitimacy mechanisms used by institutional entrepreneurs to gain legitimacy. An institutional entrepreneur typically selects the best environment/location for her/his project since s/he is an embedded actor and has a vision to look beyond what others could not see. In other words, s/he is able to recognize an institutional void and create a novel idea that can best solve the institutional void.

During negotiation and argumentation, an institutional entrepreneur tries to convince the stakeholders with her/his persuasive communication skills that her/his proposed novel idea will be in accordance with the best practices (the contexts where it has been already validated) and will cater to the local context. S/he might use her/his social position to influence the stakeholders making use of her/his contextual embeddedness; an institutional entrepreneur's social position and networks plays an important part in getting stakeholders trust and loyalty.

The enabling condition of an institutional entrepreneur – *embeddedness* – plays a major role in the first phase – both '*Innovation*' and '*Authorization*'. It can be claimed that it helps the institutional entrepreneur to realize an opportunity. Good and novel ideas can even occur to actors who are not embedded in the fieldd but an embedded institutional entrepreneur stands to gain internal legitimacy smoothly from the stakeholders as s/he is embedded and part of that particular structure; further helping her/him in procuring essential resources to mobilize the project.

If the stakeholders accept and approve, then the idea gets validated (internally) and is likely to get diffused into the environment. But if the stakeholders reject it then it is abandoned and exits the system.

Figure 4.3b: Phase II



Phase 2: Stage 1 – Diffusion: Once the idea gets internally validated from the stakeholders and shows some potential, it rolls out into the market/environment and becomes available to the mass population. This stage again involves several legitimacy mechanisms that institutional entrepreneurs use, mostly depending on the context. This stage involves the concerned stakeholders, members of an organization and general population. Here, the '*authorization'* refers to the legitimacy obtained from internal stakeholders and '*endorsement*' refers to the legitimacy obtained from the members and general population. S/he constructs procedures and scripts in a local context that resemble the best practices operating effectively in the 'already proven context'. The institutional entrepreneur then has to show an explicit proof to stakeholders by delivering what s/he had stated in her/his discussions (phase 1) with them. With regard to the members, it relates to the employment's standards, organizational values and atmosphere within an organization. An institutional entrepreneur uses various symbolic management techniques for her/his organization to gain credibility, for example, by getting involved in some charitable events, hiring skilled professionals or obtaining some certifications. This makes the members believe that their work place is following ethical and moral standards. So, they feel an association with it. Lastly, the project's outcome in accordance with the stated vision fulfilling society's needs tend to give it credibility with both stakeholders and general population.

The internal validation from both stakeholders and members flows out and influences the perception of people providing external legitimacy. Consequently, the external legitimacy flows in and strengthens internal legitimacy. Hence, the process of legitimacy is a two-way channel where internal and external legitimacy are constantly built on each other and complement each other. However, if either internal or external legitimacy is threatened, it could possibly affect the other, destroying the legitimacy overall that it has gained.

The point of legitimacy threshold is achieved if an entrepreneurial act (innovation) survives while dealing with the internal and external environment. Usually the successful performance of the firm and smooth flowing of resources provide a status of 'legitimacy threshold' to the organizations (Terreberry, 1968). In other words, when resources become available easily to an organization then it is assumed to reach the legitimacy threshold. It implies that the innovation has become an acceptable social object, signalling that it is legitimate. Else it has to exit if it fails to gain legitimacy after being diffused into the system. Undoubtedly, internal legitimacy obtaining from stakeholders is critical but if it fails to deliver what was assured or not able to survive long enough to achieve legitimacy threshold then an institutional entrepreneurial activity gets terminated.

However, if the activity becomes accepted and approved by the society then further diffusion of the same schema would need less time and justification to get accepted in other fields/contexts since it has already been tested and scrutinized.

Phase 2: Stage 2 – General Validation: When the novel social object has been diffused and approved repeatedly in various contexts and fields, it then holds a taken-for granted (cognitive) stance. It denotes stability, success and advantages for the society overall. People start trusting in it without making it go through any tedious scrutiny process unless it becomes destructive to the society or a jolt occurs in an environment.

Emerging economies with less mature and less established institutional structures in contrast to developed economies are more likely to have an institutional entrepreneurial activity getting approved and accepted by masses. Fewer questions over such institutional entrepreneurial activities might be raised. So, the chances of such an activity being accepted are greater. The situation might become problematic if an institutional entrepreneur happens to be an embedded actor of the field. An embedded institutional entrepreneur might monopolize the activity for her/his own personal gain rather than for wider economic gain. As embeddedness might allow an institutional entrepreneur effortless access to stakeholders and helps her/him to gain at least internal legitimacy easily than a non-embedded institutional entrepreneur relatively. The intentions of such an institutional entrepreneur play a significant role in terms of what kind of outcome s/he is intending for. The intended outcome might be creative and favourable or destructive to a society.

This takes us to an argument of allocation of entrepreneurship into either productive or unproductive/destructive activities – a concept brought to light by Baumol (1990). The framework explained above mainly describes an institutional entrepreneurial activity that is beneficial to a society in terms of innovation, employment and economic value. However, the chances of an innovation introduced into an institutional structure are as likely to be unproductive/destructive as productive. That is, there could be a case of some rent-seeking or tax evasion activities that falls under unproductive/destructive entrepreneurship which benefits the institutional entrepreneur and stakeholders more than the society.

4.4.1 Baumol – Productive, Unproductive or Destructive Entrepreneurship

Entrepreneurship is generally linked with profitable and growth activities that provides economic stability. But William Baumol (1990) introduced a concept of productive and unproductive/destructive entrepreneurship. He argued, '… *while the total supply of entrepreneurs varies among societies, the productive contribution of the society's entrepreneurial activities varies much more because of their allocation between productive activities such as innovation and largely unproductive such as rent-seeking or organized crime. This allocation is heavily influenced by the relatives payoffs societies offers to such activities*' (p. 894). In other words, institutions not only impact the level of entrepreneurship but also the nature of entrepreneurship. The institutional setup of an economy plays a fundamental role in the allocation of entrepreneurship activities because not every entrepreneurial activity can be termed as desirable and has a positive impact on economic development.

Such parasitical activities are termed as unproductive or destructive entrepreneurship. For example, corruption like tax evasion; blackmailing; rent seeking in a form of lobbying or litigation are considered unproductive entrepreneurial activities. Another form of unproductive entrepreneurship could be earning money by selling services utilizing knowledge of bureaucratic procedures or personal acquaintances. Whereas, any activity that contributes to production of goods and services, innovation and job generation are considered as productive entrepreneurial activities (Baumol, 1990; Dallago, 2000; Foss and Foss, 2002

Baumol (1993, p. 51) refers to rent seeking as the '*expenditure of resources in (deliberate) pursuit of economic rents by means that do not (automatically) contravene the accepted rules of society*'. While he defines productive entrepreneurship as '*... refers, simply, to any activity that contributes directly or indirectly to net output of the economy or to the capacity to produce additional output*' (p. 40).

Therefore, the institutional change can become problematic especially when the internal stakeholders might confer legitimacy to an institutional entrepreneurial activity purely for their own benefit, leading to an unproductive/destructive entrepreneurship. The society payoffs can determine such unproductive/destructive activities more profitable than the productive ones though it varies from one context to another. However, there is a greater chance of such unproductive/destructive entrepreneurship to become a norm in an economy with weak and unstable formal institutions (Baumol, 1990). It can hold true for emerging fields or even emerging economies since the emerging economies are still in the process of developing their institutions (Dallago, 2000). Most importantly, an institutional entrepreneur who uses some institutional shortcoming to appropriate rents has an incentive to maintain the malfunctioning institutions. There might be less contestation to a novel idea, regardless of being beneficial or detrimental to the society, in emerging economies since they do not have formal rules established fully yet and are still finding their way in the process of institutionalization.

Consequently, the factor 'intention' comes into play – the intention of an institutional entrepreneur and the intention of the internal stakeholders. Especially if an actor is embedded in a field and has close ties with internal stakeholders. An embedded insttutional entrpereneur might be able to convince the stakeholders for an entrepreneurial act that is not beneficial for the society. For example, convincing politicians or a government to institute new monopoly rights amounts to a welfare loss. Or resources used in lobbying efforts by entrepreneurs are also considered to be wasteful (Krueger, 1974) even if the unproductive/destructive entrepreneurship is supported by a productive entrepreneurial activity and aims at growing profit by getting some advantage relative to market competitors.

This reflects how the institutions might impact an economy. So, in this light, it is important to consider activities and their outputs that provide positive value to an economy, or as argued by Baumol (1990, 1993), productive and unproductive/destructive entrepreneurship.

4.5 Summary of Key Theoretical Findings

This chapter provided a theoretical framework to respond to the research questions stated in Section 4.2.

This thesis explores the process of legitimacy acquisition in the field of institutional entrepreneurship within the context of an emerging economy. The research conducted on literature culminated in a set of theoretical findings contributing mainly to the phenomenon of institutional entrepreneurship by attempting to resolve the paradox of embedded agency but also providing insights about legitimacy mechanisms for an institutional entrepreneurial action and Baumol productive and unproductive/destructive entrepreneurship.

The evolution of institutional theory during the last decades highlighted the role of institutional environment in organizational theory, shifting the focus from old institutionalism to new institutionalism. Old institutionalism relied on the taken-for-granted aspect of institutions and developed a profile of actors as cultural dopes (Hirsch and Lounsbury, 1977a) to explain changes in terms of isomorphism. Despite the shift from old to new institutionalism, new institutionalism supported behavioural independence of individuals but specifying constraints (Tolbert and Zucker, 1996). The focus still remained on the constraints under which actors operate, underlining the stability of an institutional structure and neglecting the notion of institutional change emphasizing on over-socialization of actors (Hirsch and Lounsbury, 1997a).

The concept of institutional entrepreneurship introduced by DiMaggio (1988) solved the concern of over-socialization of actors by bringing agency and institutions back into an institutional theory. DiMaggio (1988) argued, it was new institutionalism's *'taken-for-granted assumptions, and cognitive and coordinate limitations'* and the *'use of passive constructions'* (p. 10) that did not allow any scope to consider actor's agency. The concept of institutional entrepreneurship explained how actors manage to bring change to an existing institutional structure under certain conditions; it built a theory of action (Battilana, 2006) that did not consider actors as cultural dopes incapable of thinking alternate ways to bring a change in the institutional structure if attempted.

However, the concept of institutional entrepreneurship did not come without criticism. The argument was that when institutions guide an actor's actions then how can an actor manage to bring change in the same institutions. In other words, institutional entrepreneurship was criticized of over-powering of actors over institutions. This contradiction is called as paradox of embedded agency.

The literature has suggested various routes (discussed in Section 4.4.1) to resolve the paradox of embedded agency but no clear argument is available. Our first theoretical finding tries to resolve this paradox of embedded agency by unlocking the process of institutional entrepreneurship into 'innovation' and 'legitimacy acquisition'.

First Theoretical Finding: Resolvable – Paradox of Embedded Agency

An attempt has been made in this study to take the paradox of embedded agency one step further by considering the 'embeddedness' element of institutional entrepreneur as an enabling condition to acquire legitimacy. Successful institutional entrepreneurship seems to be a conflation of two processes – innovation and acquisition of legitimacy. In other words, process of innovation is completely distinct from the process of acquiring legitimacy. Act of institutional entrepreneurship is about creating an innovation without being its successful or unsuccessful. The element of legitimacy is considered when institutional innovation is about to be executed. Embeddedness helps an embedded institutional entrepreneur to gain legitimacy relatively easily than a non-embedded actor. So, embeddedness is critical to acquire legitimacy but is not essential to innovation. Therefore, the paradox of embedded agency is resolvable by considering both the processes – innovation and process of acquiring legitimacy – of successful institutional entrepreneurship separately on its own where embeddedness assists an institutional entrepreneur to acquire at least internal legitimacy but is not required for the act of innovation. It implies that embeddedness is not a mechanism for acquiring legitimacy but just a condition likely to aid in acquiring legitimacy for novel innovation.

Secondly, there is no clear and explicit explanation how a novel innovation of an institutional entrepreneur gets legitimated by stakeholders and the general population.

The literature has explored the concept of legitimacy with established or successful organizations and there have been a few studies with new ventures. But no clear understanding exists for the legitimization of an institutional entrepreneurial activity. Additionally, the scholars have used various types and strategies to describe the process of legitimacy acquisition that can be confusing due to their overlapping names and meanings. So, this study identifies the legitimacy mechanisms that an institutional entrepreneur might use to get a novel innovation accepted. Therefore, our second theoretical finding proposes several mechanisms to acquire legitimacy by an institutional entrepreneur.

Second Theoretical Finding: Legitimacy Mechanisms – For an Institutional Entrepreneur

This study enables us to analyse the process of legitimacy acquisition of an institutional entrepreneurial activity. This research study examines how a novel idea gets legitimated internally with the stakeholders and externally with the society at large. The framework developed for the current study explains the entire process of legitimacy acquisition of an institutional entrepreneurial activity from conception to execution, divided into four stages: Innovation, Authorization, Diffusion and General Validation.

A set of mechanisms (see Table 4.2) has been defined that an institutional entrepreneur might use at different stages of legitimizing her/his innovation. The study further uses the element of embeddedness that mostly is property of an embedded institutional entrepreneur. The property of embeddedness might enable an institutional entrepreneur to have access to some additional mechanisms that might not be available to a non-embedded institutional actor. For example, easy access to stakeholders to influence their decision is a mechanism that is available to an embedded actor and might not be available to a non-embedded actor. While rhetoric might be a mechanism used by institutional entrepreneurs available to both embedded and non-embedded actors. Hence, institutional entrepreneurs acquire internal legitimacy initially from the stakeholders and external legitimacy from the members and mass population once an institutional change is rolled out, hence a successful institutional entrepreneurial attempt.

Thirdly, the concept of institutional entrepreneurship in emerging economies holds a great significance. The emerging economies have relatively not fully established institutions in contrast to developed economies. A proposed institutional change in such economies can become operational relatively easily as the procedures set in place might not be efficient to judge the viability of the proposed change. Such an activity might be productive or unproductive to a wider society. So, there is a slightly greater chance of an institutional entrepreneurial activity getting approved and accepted in emerging economies by the stakeholders and the population eventually. Therefore, the third theoretical finding looks at the institutional preconditions of an institutional entrepreneurial act from Baumol's productive and unproductive/destructive entrepreneurship.

Third Theoretical Finding: Baumol Productive, Unproductive or Destructive Entrepreneurship

The outcome of an institutional entrepreneurial activity, following Baumol's argument of productive or unproductive entrepreneurship, might either be productive and beneficial to a wider society or unproductive and unfavourable to a society. The emerging economies do not have their institutional structures as regulated and structured as developed economies. So, it might have a significant implication in the case of emerging economies if the activity becomes successful and is unproductive, as it might set up a similar trend for other subsequent entrepreneurial activities.

Since an institutional entrepreneur is generally an embedded actor that enables her/him easy access to stakeholders to get at least internal legitimacy and external legitimacy ultimately. It could be destructive to a wider society if an institutional change is unproductive. The institutional entrepreneur might devise an innovative idea to gain personal benefit and wealth at the expense of a society. For example, rent-seeking by monopolizing government actors/departments to impose strict regulations on competitors in order to increase her/his own market share. The concept of allocation of entrepreneurial activities based on society payoffs into productive and unproductive/destructive entrepreneurship in an emerging economy allows us to contemplate how beneficial or damaging an entrepreneurial activity can be. The intentions and motivations of an institutional entrepreneurs plays an important role in proposing any institutional change as it helps us to understand the ultimate purpose of an institutional entrepreneur whether they are seeking to be parasitical or contributing to the wider gain of a society. Therefore, it is necessary to take into account the outcome of institutional entrepreneurial activities especially in the case of emerging economies as these activities might or might not be advantageous to a wider community.

4.6 Operationalizing the Empirical Study

Consistent with the institutional entrepreneurship in an emerging economy perspective, there is a befitting case study that allows exploring the three different areas of theoretical findings argued above (Section 4.5).

This study is going to be empirically tested in Dubai, UAE with its first free zone Jebel Ali Free Zone (JAFZA). Dubai is an emerging economy that has now become one of the top five fastest growing economies in the world mainly due to its trade and tourism activities (John, 2015). The very first free zone JAFZA is considered to be one of the key factors in boosting up Dubai's economy. JAFZA, established in 1985, has played a major role in structuring Dubai's economy as it contributes 21% of total Dubai's GDP (The Gulf Today, 2017b).

The exploration of institutional entrepreneurship phenomenon fits well with JAFZA, Dubai. Dubai, UAE is a Muslim state that follows an authoritarian regime like most of the Middle East countries with a constitution based on Islamic Sharia Law along with few elements incorporating from French/Egyptian constitution. However, the free zone JAFZA adapted the international market standards, rules and regulations (different from its mainland procedures) to which the world was accustomed. So JAFZA had to pass the institutional barriers to develop a new institutional schema derived from the world's best practices catered to the Dubai's local context.

Moreover, the 'institutional entrepreneur' in JAFZA's case is an embedded actor – a property needed to acquire at least internal legitimacy. So, the case would resonate well with the research framework that revolves around the notion of embeddedness to acquire internal legitimacy and ultimately external legitimacy. Therefore, JAFZA provides an appropriate landscape to test this proposed framework of acquiring legitimacy by an institutional entrepreneur for her/his novel innovation.

But before getting into the case study, we need to contextualize the empirical setting within the economic history of Dubai and development of its key institutions, reviewed in the next chapter, since it helped shaping up the context of this study.

Chapter 5: History of Dubai

This chapter gives a brief historical account of Dubai, United Arab Emirates (UAE) – one of the seven emirates in UAE, along with providing insights on UAE political, legal, and economic conditions; and socio-cultural norms prevalent there. The chapter will essentially focus on Dubai, UAE since the main empirical setting Jebel Ali Free Zone (JAFZA) considered for this study exists in Dubai. It is imperative to understand the chronological sequence of historical events of Dubai occurring before and after 1971[31] as it helped in shaping up the current context relevant to this study, in terms of people's attitude and behaviour. However, the chapter does not provide an extensive review of all the developments and elements of Dubai. It only highlights the aspects that can help to comprehend the background of the study.

The chapter is organized into two parts. Section 5.1 starts with brief introduction to Dubai followed by Section 5.1.1 describing the events leading up to the establishment of UAE. Section 5.2 explains the working of political, legal, economic and socio-cultural factors in Dubai, UAE. And Section 5.3 sums up the key points of the chapter.

5.1 Dubai – United Arab Emirates (UAE)

Dubai is one of the seven emirates that came together as a federation, United Arab Emirates (UAE) in 1971. The emirates namely, are Abu Dhabi, Dubai, Sharjah, Ajman, Ras-al-Khaimah, Umm al Qaiwain and Fujairah. UAE is situated along the Persian Gulf Coast[32] with an area of 77,700 sq. km (30,000 sq. miles) (BBC, 2018). It borders Saudi Arabia and Oman and is a member of Gulf Cooperation Council (GCC).

The capital of UAE is Abu Dhabi. It is the richest of all the emirates in terms of oil and natural gas reserves. The ruler of Abu Dhabi holds the position of 'the president of UAE'. Whereas Dubai's rapid growth and its significance as a major entreprot in the Gulf region ensured its position for vice presidency. The importance of Dubai can also be determined from the fact that Dubai is the only emirate out of seven emirates other than Abu Dhabi who has the power to veto over the critical matters of national significance in the country's legislature (Kasolowsky and Lyon, 2009).

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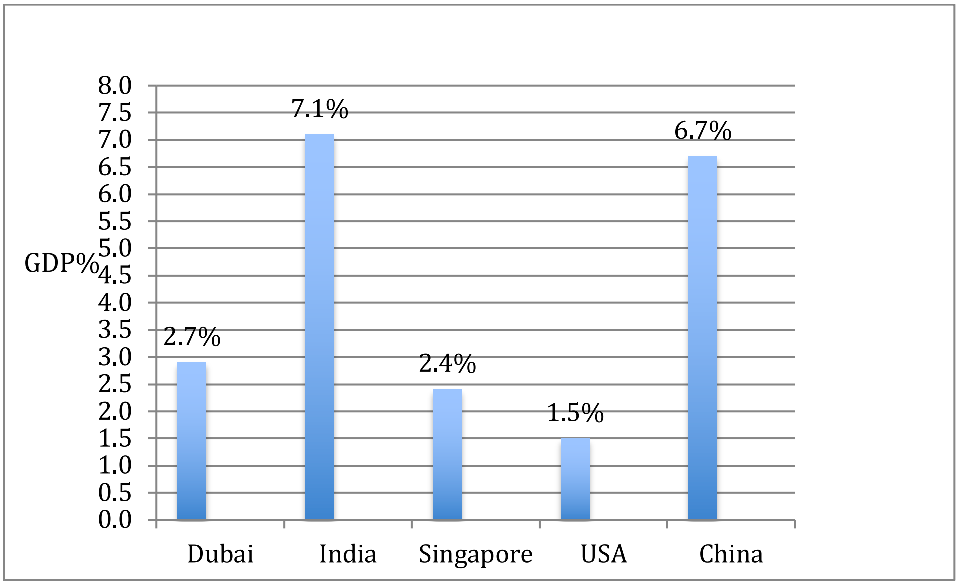
[31] United Arab Emirates (UAE) was established on 2nd Dec 1971.

[32] Some Arab countries call it as Arabian Gulf. But the United Nations Group of Experts on Geographical Names agreed on using 'Persian Gulf' as the official name for this body of water in 2006.

Dubai is situated in a region where most of the countries[33] have large oil deposits with their economies relying heavily on oil. However, Dubai is not an oil-dependent state as it is assumed to be like the rest of the region; only very modest oil reserves were found in Dubai and are predicted to hit rock bottom within the next 20 years (Gulf News, 2010). However, Dubai has seen exceptional economic growth, mainly due to its trade and services sector. It generates its revenue predominantly from its non-oil industries such as FDI's, service industry, non-oil exports and re-exports into the UAE.

Figure 5.1: Comparison of Dubai's GDP vs. Other Countries (Year 2016)



Source: ((Emirates247, 2017; The World Bank, n.d.)

The transition of Dubai from a desert to metropolis took place in a very short span of time, making Dubai a very interesting case. Dubai has recently been reported as one of the top five fastest growing emerging economies of the world (John, 2015) as its GDP is growing at an exceptional rate for an emerging economy. Dubai is one of the few emerging economies whose GDP grew at a remarkable rate of 2.7% (Emirates247, 2017) as compared to rather large emerging economies like India and China and can also be seen as comparable with developed economies such as Singapore and USA. The figure 5.1 above illustrates the comparison of Dubai's GDP for year 2016 with other countries hinting at its rapid economic growth.

[33] Most of the countries like Bahrain, Kuwait, Qatar, Iran, Iraq and Saudi Arabia in Middle East have large oil-reserves.

The next section documents the events that led to the formation of United Arab Emirates (UAE) in 1971.

5.1.1 A Historical Context of Dubai - UAE

UAE, a federation comprising of seven emirates along the Persian Gulf Coast came into existence in 1971. The seven emirates, namely, are Abu Dhabi, Dubai, Sharjah, Ajman, Ras-al-Khaimah[34], Umm al Qaiwain and Fujairah.

Figure 5.2: Map Of United Arab Emirates

Source: (Worldatlas, .n.d)

Up until the federation, the region was known as Trucial States (previously also known as a Pirate Coast). The reason behind the name of Trucial States was 'the General Maritime Treaty' signed between the Britain and group of sheikhdoms/tribes[35] in 1820 to safeguard Persian Gulf waters, followed by several other treaties over the course of next 150 years

[34] Ras-al-Khaimah only joined UAE in 1972.
[35] The ruler of the tribe was often called an Amir or a Sheikh, hence the name – Sheikhdom.

of British hegemony. As a result, the region[36] came under informal British protectorate[37] due to the pact but domestic and internal affairs were still handled by tribe's traditional rulers. The region was governed by tribal rule[38]. The inhabitants came mainly from two tribes, Bani Yas and Qawasim[39]; each tribe had its own ruler and a clan. The Bani Yas were in control of Abu Dhabi and Dubai while the Qawasim used to rule over Sharjah and Ras al Khaimah along with Umm al Qaiwain, Ajman, Fujairah and port Lingah[40].

As mentioned above, the Trucial States (present UAE) were situated on the Persian Gulf coast. The Persian Gulf is an extended arm of Arabian Sea. Its location makes it significant as it provides a very critical trading and transport route between East and the West. The Persian Gulf waters were a bone of contention among several western powers (British, French, Dutch and Portuguese) due to its strategic location. These western powers even contested with one another mainly for the purpose of monopolizing trade. Today, it is considered to be one of the most vital bodies of water on the planet since much world's energy needs of oil and gas is supplied through this route from Arabian Peninsula.

Historically, as aforementioned, many powers tried to gain control of the Persian Gulf waters due to its strategic location even before it came under British rule. In the sixteenth century, two great powers, Portuguese and Ottoman Turks came to have an interest in the affairs of the Persian Gulf. Portuguese wanted to monopolize the commerce by gaining control of the trade routes by occupying the strategic ports along the coast. However, their power did not go unchallenged. There were several attempts by Ottomans to subjugate but their efforts turned out to be unsuccessful. The rivalry between Ottomans

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[36] Qatar and Bahrain, along with Trucial States, were also British protectorates and supposed to form one state but they opted out from being a part of UAE due to several differences and formed their independent states.
[37] Initially, it was to safeguard Persian Gulf waters to protect East India Company's trade with Iraq, Iran and Oman; and the British ships and subjects in the region. Then later in 1892, the treaty provided protection to sheikdoms from outsiders on a condition of having tribal rulers no contact with any other power than Britain.
[38] A tribe is group of people that share a collective identity based on political, cultural or religious views. In Gulf States, a tribal ruler was responsible for his people's well-being and security in return of their loyalties and enjoyed un-challenged authority/leadership.
[39] These two local tribes brought power and profits to the region. Qawasim's were more of a maritime power along the coastal areas while Bani Yas were involved more in land activities like camel-herding and agriculture.
[40] Qawasims controlled the coastal town on Persian side from 1779 to 1887.

and Safavids of Persia was largely the reason for the Ottoman's failed take-over attempts as Portuguese had formed an alliance with Safavids of Persia to forestall Ottomans efforts. However, Portuguese control grew weaker over the time. By the end of sixteenth century, both English and Dutch also showed an interest in establishing direct trade links with the east as their ships arrived in the Indian Ocean as Portuguese commerce rivals. This continuous challenge proved fatal that made Portuguese lost their control and led their empire to fall ultimately. It gave birth to a new era of European colonialism. And by the beginning of the nineteenth century, the British emerged as the greatest Western power in the Gulf.

The General Maritime Treaty between the British and Trucial States is considered to be a critical juncture in UAE history. The main purpose of the General Maritime Treaty was to safeguard the Persian Gulf waters from Qawasims' pirates whose attacks were affecting the British trade with India. The Qawasims, the present ruling family of Sharjah, were engaged in trading activities and also used to exercise their power on Persian Gulf waters, as pirates. Prior to the treaty time, there were many instances when vessels belonging to British East India Company were attacked in the Persian Gulf by Qawasim tribes. Though the British Government retaliated with a few attacks in 1805, 1809-10 and 1811 to curb their activities but it proved to be fruitless (Zahlan, 1978). Then again in 1819, the British made another effort by dispatching a large fleet from the Royal Navy and successfully destroyed many of the Qawasim's vessels. But the threat of Qawasim's (pirates) was still continuously there. The livelihood of the villages and the sheikhdoms on the Gulf Coast was also greatly affected since the main economic activities engaged by these tribes during this period on the Persian Gulf Coast were only pearl trade[41] and fishing.

Ultimately, the General Maritime Treaty signed in 1820 between the British Government and the rulers of nine states (Abu Dhabi, Dubai, Sharjah, Ajman, Ras-al-Khaimah, Umm al Qaiwain, Fujairah, Bahrain and Qatar) and villages on the Gulf Coast helped in safeguarding the Persian Gulf waters; the truce aided in keeping peace in the region as the tribes had a history of being in constant encounters with each other over land and sea. The treaty was renewed at different intervals until 1853 when a final treaty was signed between all sheikdoms and British government ending all pirate activities in the Gulf

[41] Emirates tribes used pearling to supplement the farming and herding activities that resulted in migration/settlements near coastal areas of Abu Dhabi and Dubai.

waters[42]. British acted as arbitrators of disputes and helped in keeping these warring tribes in harmony with each other (Abdullah, 1978; Zahlan, 1978). Thus, the treaty between tribes/sheikhdoms and British Government provided a protection to these tribes along with securing the British-India commerce route.

The truce between the tribes/sheikdoms and British government transformed the political and economic landscape of the region, being the crux of a chain of events that occurred later. The Bani Yas gained an upper hand, being a land-based confederation as opposed to Qawasim's who were predominantly a maritime power. The reason being, the treaties required Qawasim's to surrender all vessels and weapons (most of their vessels were also destroyed in British attacks), greatly curbing their maritime activities and development, and signalling the beginning of the end of their prosperous and hegemonic era. As a result, Abu Dhabi and Dubai gained prosperity as the fishing and pearl diving industries thrived.

In 1833, small group of people (present ruling family of Dubai[43]) from Bani Yas relocated their business to Dubai from Abu Dhabi due to tribal feuding. The main attraction for this clan of Dubai was to be near the Dubai creek[44] for fish and pearl diving activities. A number of tribesmen followed later to be settled in Dubai (Zahlan, 1978; Wilson, 1999). Dubai started gaining economic strength due to its creek activities. This influx of tradesmen and merchants made Dubai, a big market place and its creek enabled it to serve as a safe and efficient port for this small but rapidly growing town. However, Dubai was still a small town as compared to Abu Dhabi and Sharjah.

At around the same time, the nearby bustling harbour city Lingah[45], which was under Qawasim's rule, was taken over by Persians in 1887. Persians resented Qawasim's for

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[42] As mentioned before, initially, it was to safeguard Persian Gulf waters to protect East India Company's trade with Iraq, Iran and Oman; and the British ships and subjects in the region. Then later in 1892, the treaty provided protection to sheikdoms from outsiders on a condition of having tribal rulers no contact with any other power than Britain

[43] The Al Maktoum family (descendants of Al-Falasi tribe), led by Maktoum bin Butti, took over Dubai from Abu Falasa family (also descendants of Al-Falasi tribe) without resistance in 1833.

[44]Dubai Creek is a natural harbour.

[45] The Gulf was always a key trade route connecting Middle East. Port's commercial success was principally due to its policy of not charging custom duties for import/export. It served as a distribution center for trade with the Arabian side of the Gulf rather than inland trade with Persia.

their success and control of the Port Lingah, as it was located on the Persian Gulf coast (on the Persian side) used for transhipment of goods to other ports. The bulk of Indian trade including coffee, flour, cloth and rice came to the Persian coast via this port, acting as a free port under Qawasim's administration. It provided a major trading route as an entreprot, besides being a pearl trading centre. When Persians regained control of the city, they started levying new charges for port services and increased tax revenues that made Lingah a very expensive option to use as a trading hub by merchants (Abdullah, 1978; Heard-Bey, 1996). It forced merchants and tradesmen to look for a more feasible and cheap option to conduct their business.

The new tax policy at Port Lingah introduced by Persians provided an opportunity to the ruler of Dubai to make its creek 'tax-free'[46] to the merchants. Dubai's ruler took the chance and opened its creek as a free port in 1901 and abolished all taxes. He granted concessions of land and protection as incentives to Lingah tradesmen and merchants for relocating their business to Dubai. Because the ruler of Dubai understood that the movement of giant merchants from Lingah to Dubai would also entice other tradesmen who traded closely with them, bringing in more trade. Thus, Dubai's ruler wise act proved to be fruitful for a small town like Dubai. The figure 5.3 below shows the layout of port Lingah and Dubai creek along the Persian Gulf coast. This step, coupled with the continued rising taxation in Lingah, resulted in the permanent relocation and settling of major Persian and Indian merchants in Dubai over the following years (Zahlan, 1978). In 1901 before Lingah event, Dubai was just a small town with not much port activity but with the announcement of the free port and later British Navy ships calling at its creek facilitated Dubai and its creek to undergo unprecedented development. By 1902, all pearls from the Trucial States were exported to British India via this port.

[46] At the time, Dubai Creek had a 5% custom duty.

Figure 5.3: Positioning of Port Lingah ad Dubai Creek along the Persian Gulf coast

Source: (Potter, 2017, p. 3)

But this prosperity was short-lived as Japanese started manufacturing and selling artificial pearls at a lesser price (decreasing the demand for natural pearls) in 1921 and moreover, the 1930s Great Depression hit. These events caused the Gulf pearl market to crash causing relocation of people to seek work. The negative economic effects precipitated by these events however did not last for too long due to income incurred from landing and refuelling facilities and oil concession granted to British government.

Over the following years, in the shadow of World Word II, British influence in the region continued to grow as several military aircraft refuelling and civilian landing facilities were established (when landing facilities from the Iranian Gulf side were withdrawn) in Abu Dhabi, Sharjah, and Dubai linking Britain with its colonies in Asia. Around 1939, most of the Trucial States' rulers granted oil exploration concessions to the British, an event which indicates the beginning of the Trucial States' rentier era. Though the oil concessions were almost non-existent in the years during World War II due to several reasons, but it became active again in 1950s. The first oil reservoirs were discovered in 1958 in Abu Dhabi and shortly thereafter, oil drilling began. New concessions for these activities translated into an even greater income for the rulers and further solidified the British rentier structures in the region. Therefore, the revenue from oil industry and landing and refuelling rights in these Gulf States, helped ease off the effects of the depression (Abdullah, 1978).

Of all the states, Abu Dhabi was the most fortunate, as massive oil and gas reservoirs were discovered within its borders. The other sheikhdoms, including Sharjah and Dubai did not fare well. Oil reserves were not discovered in Dubai[47] until 1966 and were scant and very costly to extract. The demise of the natural pearl industry and the unsuccessful oil exploration greatly strained Dubai's economy.

However, Dubai's economy started getting better by the early 1950s as more commercial ships started calling at Dubai's creek with time. Since there were more ships calling at the creek, so it became essential to expand the port facilities to accommodate the growing number of ships docking at the creek, resulting in a much booming economy than before. The heavy silting of the creek that had occurred over the past decades, made navigation hazardous and difficult, further exacerbated the need for the port expansion. But Dubai's financial situation did not allow it with its modest revenues. The decision was made to take loan from its neighbouring country, Kuwait, after discussions with numerous key stake holders (tribesmen and merchants) to dredge its port in 1960 which proved to be a major milestone in Dubai's history as increasing numbers of shipping companies started using the improved creek facilities (Taryam, 1987). Since the dredging attracted more and larger shipping vessels bringing in more trade, the decision was made to build another port 'Port Rashid' at a location near Dubai Creek. Port Rashid project began in 1965 and started functioning in 1972 as a free port, similar to Dubai Creek.

Meanwhile, in the aftermath of World War II and the global decline of British reign, Britain announced its intentions to withdraw from the Trucial States in 1968. Immediately after, these states (excluding Bahrain and Qatar) formed a bilateral union in 1969 and in 1971, finally announced itself as an independent federation, UAE. Up until the federation, all the states were managing their internal affairs as autonomous bodies. The less

[47] As of 2015, UAE's total oil reserves were 97.8 billion barrels. Abu Dhabi holds 92.2 billion barrels whereas Dubai holds 4 billion barrels.

prosperous emirates benefited from the new federal arrangement, as they started receiving financial support and subsidies from the oil-wealthy capital, Abu Dhabi. Immediately after the federation formation, the UAE constitution was formed (based on Civil law and Islamic Sharia law) and transformation of local courts into federal judiciary system followed. Dubai, acting as an autonomous body, had already passed its own legislation in 1970 just before the announcement of federation. Dubai opted to keep its judiciary structure separate from federal system that helped it in making internal decisions in the later years. However, Dubai faced critical challenges in terms of integrating its already established economy and governance structures with the rest of the emirates, as its thriving economy was highly dependent on maintaining its international trade and more liberal policies.

Since Dubai didn't do well in oil-reserves, the Dubai's leadership realized the importance of trade and the need to explore other possibilities, in order to sustain itself in the economic world. After the Dubai creek and Port Rashid project, Dubai started investing in other ventures and sectors as well. However, Dubai built another Jebel Ali Port, in 1980, 35 km away from the Dubai Creek to complement the shipping traffic of both Dubai creek and Port Rashid. And Jebel Ali Free Zone, the first free zone, was established in 1985 inviting foreign workers, international entrepreneurs and merchants with its attractive low customs and taxation structure. The establishment and success of Jebel Ali Free Zone along with a tax-free port created a path to Dubai's economic success. As free zones in regions with red tape and complicated regulations offer respite from usual tax regimes, *'attract direct foreign investments, thus increasing foreign exchange inflow and exports, attract transfers of modern technology, create jobs, thus having an overall positive impact on economic and regional development'* (Kostadinovic and Petrović-Ranđelović, 2015, p. 99). Today, Dubai has numerous free zones, catering to different specialized fields. These free zones channelize the international traffic into its free zone market and expanded its international standing that ultimately enabled Dubai to gain economic strength and prosperity. As a result, the dependency of Dubai on oil for its growth and sustainability became minimum as its oil sector today contributes only less than 1% to its total GDP (Gulf News, 2017c) as compared to its neighbouring emirate Abu Dhabi whose oil sector plays an important role in its economy contributing 30.5% to its GDP (Emirates News Agency, 2017).

The next section discusses different elements that make up the social fabric of Dubai. Dubai and other emirates of UAE follow a federal absolute monarch regime. Earlier practice of tribal rule gave rise to the notion of monarchy and it still continues till date. Same is the case with social and cultural norms that originated from those same times with a bit of influence from British and European norms since these Trucial States were British protectorates for a long time.

5.2 Political, Legal, Economic and Socio-Cultural Landscape of UAE

This section sheds light on the political, legal, economic, and socio-cultural factors of Dubai[48], based on PESTLE[49] analysis. The purpose of using PESTLE analysis is to provide information on macro-indicators that shape the landscape of Dubai impacting its environment. It is fundamental to grasp the knowledge of these elements and how these elements collectively structure the institutional environment of Dubai – UAE, in order to understand the research context. However, this section does not include any details regarding the technological and environmental analysis, as these two branches of PESTLE are not considered pertinent for the study.

5.2.1 UAE Political System

The political system[50] of UAE is a unique fusion of old and new approaches where traditional method of open Majlis[51] works alongside a more modern version of continuously evolving administrative system. UAE has a federal absolute monarch system. The federal government of UAE works in conjunction with local emirates government[52] in such a way that a smooth coordination is maintained between these two forms of governments with regard to distribution of operations.

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[48] The PESTLE analysis is described using data on UAE, as the market reports typically provide information on UAE as a country. However, term 'Dubai' is used where specific information on Dubai is available.
[49] PESTLE is an abbreviation of political, economic, social, technological, legal and environmental analysis. 'Socio-cultural' word is used instead of just 'social' here to incorporate customs, lifestyles and values that characterize a society.
[50] UAE has an absolute federal monarch system and no political parties are permitted.
[51] Majlis is an informal meeting place where merchants and tribesmen were able to express their ideas and opinions directly to their leader. The tradition has been carried forward from UAE's pre-federation days. It is explained more clearly in Section 5.2.4.
[52] Each emirate maintains its own local government.

UAE's federal structure comprises of Supreme Council, Cabinet (Council of Ministers), Federal National Council (a parliamentary body) and Federal Supreme Court (a judiciary). The Supreme Council is the highest constitutional body of UAE with rulers of all seven emirates as its members. The Supreme Council has both legislative and executive powers, approving federal laws and decrees. This Council elects President and Vice President[53] for a five-year term, which is renewable on its expiry. Each member emirate has one vote in dealing with the council matters. However, Abu Dhabi and Dubai have a power to veto any council decision if the need be.

The Cabinet (Council of Ministers) is headed by the Prime Minister of UAE and is described as an executive authority (comprises of representatives from the seven emirates). The decision of choosing a prime minister is a joint decision by the President and Supreme Council. And the decisions or laws proposed by the prime minister to the cabinet require the president's approval.

The Federal National Council[54] is a parliamentary body that has 40 representatives from the seven emirates. The Federal National Council examines proposed federal legislation and constitutional amendments, reviews the annual draft budget of the Federation, debates about international treaties and conventions and influences the government's work by making recommendations through discussion and dialogue (The Official Portal of UAE Government, 2018a; UAEpedia, 2018).

5.2.1.1 UAE Ranking

UAE, overall, faces no political threat and enjoys good relations with many western powers. Its successful monetary and fiscal policies have ensured its position as a dominant player in the Middle East region. The government has been applauded for creating business opportunities in the country over the years. Even though, UAE has an authoritarian government regime unlike the rest of the world, the country has benefitted from its system of governance. It ranks 90.87percentile on government effectiveness, 88.46percentile on corruption control and 80.29percentile on regulatory equality.

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[53] The ruler of Abu Dhabi holds the position of a president and the ruler of Dubai of vice-president due to their significant position in country's economic development.

[54] Derived from the tradition (Majlis) of consulting with advisors and then forming a decision. Historically, the Sheikhs of Trucial States would consult their advisors for any new law or decree before cementing it.

UAE is known for political stability despite the unrest in the Middle East region that boosts the confidence for doing business in UAE. It was placed at the 60.95percentile rank on political stability and absence of violence indicator in 2016. However, it hasn't done well in the case of adopting democracy and is placed at 19.21percentile rank on the voice and accountability indicator in year 2016, which poses problem for the international media to report from that region or common people voicing out their concerns against the government or their policies (United Arab Emirates, 2016).

5.2.1.2 Structure of Dubai Government and Decision Making Process

Since each emirate has its own local government, Dubai has an executive council that works as a highest form of authority at Dubai Level. It is headed by the ruler of Dubai[55]. There are different committees and departments, which look to specific tasks and are run under the directorship of executive council. The members of the executive council are mostly the CEOs and Director General[56] of these committees appointed by the ruler (MM-JFZ-02)[57].

The executive council has the final authority to decide on matters such as what new projects are to be developed or closed down and further steps needed for each project. However, every new decision is made collectively after listening in to the advice of its members. Similarly, any new legislation for Dubai to be decreed upon comes from the orders of executive council with the general consensus of its members, with the final approval being made by the Head of the State. For example, in a case of any new free zone to setup, a royal decree from the office of executive council is passed. It would state the mandate, role and responsibility of such authority while also picking out the director general and board of directors of such authority.

Dubai has both a top-down and bottom-up decision-making approach. Ideally, a decision formed at the executive council level is passed down to the respective authorities but often a pressing matter is also brought up by the committees and moved up to the attention of ruler of Dubai to take appropriate action (MM-JFZ-02). Additionally, Dubai

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[55] Presently, the ruler of Dubai is Sheikh Mohammad bin Rashid Al Maktoum since 2006.
[56] Non-CEOs and Non-Director General may also be appointed as members of the executive council.
[57] This is the interview participant representing JAFZA management. The bio of this participant is presented in Chapter 3: Methodology.

has kept the tradition of Majlis (an informal meeting) in current times as well. The ruler of Dubai regularly meets with the prominent members of the government and business community informally and discusses issues of the state and business and responds to any issues that needs to be taken care of.

5.2.1.3 Concept of Majlis

'Majlis' is an arabic word which means 'a place to sit' (Unesco, 2015). It holds a great importance in cultural and social scope of Middle Eastern countries since it has been carried forward throughout the centuries from the pre-federation days of UAE. 'Majlis' are typically a form of informal gatherings of local people and communities with their leaders, heading these meetings. However, there are different forms of majlis for tribes, communites and family where people gather to pay condolences, hold wedding receptions, and socialize with others. It is usually held at a large place which could either be at home, in a tent or in courtyard (Hameli, 2016). But in a constitutional context, it is a way of an unofficial consultation where people come to highlight the concerns and problems related to their tribe or communities and voice out their greivances. And different solutions to these problems are looked at, in order to find the best practical solution.

This 'Majlis' tradition continued in Dubai and rest of UAE alongside the formal Federal National Council as a channel of interaction between government and residents. It remains an important institution for the maintenance of social coherence (Salem, 2009). Usually, government officials, businessmen and others at higher hierarchy are able to communicate directly with the ruler of Dubai about important issues in these gatherings. It serves the purpose of getting insights from the emirate, helping the government to penetrate into the society to understand their criticisms and objections on their laws/decrees and overall situation of the emirate.

In summary, UAE has a federal monarch system. Of all the seven emirates, the ruler of Dubai being the Prime Minister of UAE holds upmost power after the Abu Dhabi's ruler (President of UAE) in the political structure. The government strives to create an environment which is effective, stable and business friendly that appeals to foreign companies. Yet, people are not able to practice freedom of speech which might be due to its authoritarian regime and tribal history.

The individuals involved in the UAE political system are all members from the elite class and same is true for the Dubai's local government. The government of Dubai under Sheikh Mohammad's directive is run by individuals that are associated with him one way or another since nepotism is a common occurrence in that setting. The ruler holds regular Majlis (informal meetings) again accessible only to elites and people closely linked to him where concerns are heard, and decisions made for the betterment of the society.

5.2.2 UAE Legal System

The federal legal system of UAE is based on a dual system of Sharia and civil courts. The constitution of UAE guarantees the judiciary's independence and includes the Supreme Court and the Courts of First Instance. The President of UAE appoints judges. The judiciary holds exclusive authority over substance areas of law including civil, commercial, corporate and penal matters. However, every emirate has its own local government and municipal government. Varying in size, they have evolved along with their respective emirates' growth, and their mechanisms differ from emirate to emirate (The Official Portal of UAE Government, 2018b).

Islam is the principal source of law for the legislation in the country. Nevertheless, the legal and judiciary structure takes some elements from the Egyptian and French concept of civil code as well due to their influence in the early period of Trucial States. As mentioned above, the judiciary system runs two courts in parallel: Sharia courts and Civil courts. Sharia courts usually deal with social issues like family disputes; divorce; inheritance issues etc. related to Muslims only while civil courts look after mostly commercial matters. And recently established, the financial free zone in Dubai (DIFC) and Abu Dhabi Global Market (ADGM) acts as an independent jurisdiction under UAE constitution with its own laws (common law) and courts (DIFC Courts, n.d).

The constitution of UAE does state the judicial independence in the country and is ranked 5th in providing security and order to its residents, according to World Justice Project's Rule of Law Index. But in spite of UAE's strengths, *'the formal systems of checks and balances remain weak and fundamental rights are curtailed'* (Mustafa, 2012).

UAE is ranked 31st out of 189 countries in terms of ease of doing business in UAE (The World Bank, 2018), which makes it an attractive location for investors. UAE has a simple tax paying structure facilitating the business community with several free trade zones to attract more trade. It has zero tax on personal income. However, the introduction of recent VAT might bring some changes in the business environment.

5.2.2.1 Dubai and its Legal System

Dubai has its own judicial legal structure as it opted not to turn its courts to federal system in 1971 when the federal UAE judiciary structure was established. Dubai had already launched its own judiciary structure in 1970, just a year before the federation was formed; it kept its own courts that helped Dubai in the long run making decisions as a self-regulating body (Government of Dubai, n.d.). Dubai courts deal with their local emirate-level disputes, for example, property and domestic disputes etc. It can also enforce foreign judgments, arbitration awards, and awards from other tribunals such as the dispute resolution bodies within the Free Zones & Special Economic Zones. Hence, Dubai courts are independent from the federal judiciary system except in the matters concerning the security of the federation.

In summary, UAE has a federal legal system based on civil and Sharia laws. Dubai opted not to merge its local courts with the federal legal system in 1971 which gave Dubai an autonomy in making decisions (other than country's security issues) for its local emirate; while other emirates have to get their choices approved through the federal government. It can be argued that Dubai earned the status to not merge its courts with the federal government due to its financial position (Dubai being the richest after Abu Dhabi) and successful leadership approach.

5.2.3 UAE Sociocultural

In UAE, Islam is the main religion and the way of life. The population of UAE comprises of nationals (Muslims) and expats. Dubai is a cosmopolitan city with expats making more than 80% of population (Emirates247, 2017). The population of Dubai is expected to become 3,023,000 by 2030 (GulfNews, 2017). The expats come from a variety of cultures and are allowed to practice their values and religion freely. Dubai has kept its open-door policies and liberal policies but still hold on to its strong religious values (El-Aswad, 2013). The UAE has increased the budget for its social sector over the years. It assigned $13.3 billion in 2017 budget towards public services, health, education and social development (Arabian Business, 2016). Recently, Dubai secured a number#1 position in Middle East and Africa region in a survey based on quality of living, making it the region's top city for the fifth year in a row (Mercer, 2017).

Arabic is the official language in UAE, but English is the main mode of communication in all private and public sectors such as education, banking, health etc. Recently, English has been declared as a favourable instruction of medium in schools, colleges and universities as opposed to Arabic (Mills 2008). Since the leadership of Dubai is fully aware of the fact that by not being updated with the technological advances and not being able to communicate properly with the world can hinder their future growth. Dubai like Gulf countries was quite conservative with gender roles earlier but now women have been seen attending universities and taking lead roles in the companies (Schvaneveldt, Kerpelman, and Schvaneveldt, 2005). Hence, it can be argued that Dubai is making changes in their social structure to combat with the future challenges.

Dubai like other Middle Eastern countries has a very cohesive group- oriented family structure emphasizing on family bonds, religion and values of cooperating and sharing. People live together in rather large families or next to each other owing to their earlier practice of settling in groups/tribes. Since everyone used to belong to one group/tribe or another and provided their support and loyalty to it. In return of this trust and loyalty, they were given protection to protect his tribe and in turn be assured of the same for himself from the rest of his tribe members. This practice is still seen in UAE as the locals are given preference in the job market; government gives locals a handsome amount from when they marry that facilitates the leadership in gaining people's support and devotion. Hence, the culture and tradition of loyalty and trust has continued till now and can be seen among Dubai or UAE nationals.

Emirati culture is famous for Waasta, which is another form of 'nepotism' or 'who you know'. It portrays a 'contact' culture where everybody knows everybody. The family and tribal ties play a great role in Waasta and in obliging each other through these forms of connections. 'Waasta' and favours help a lot in creating networks. Especially, it plays an important part in doing business in UAE where trust and loyalty towards family and friends help in securing business and negotiating different deals (Masudi, 2007). It can be argued; it is a by-product of living in large families where everyone is connected to everyone else. Secondly, the population of these emirates is still quite small as compared to large cities, so it makes it possible to know people.

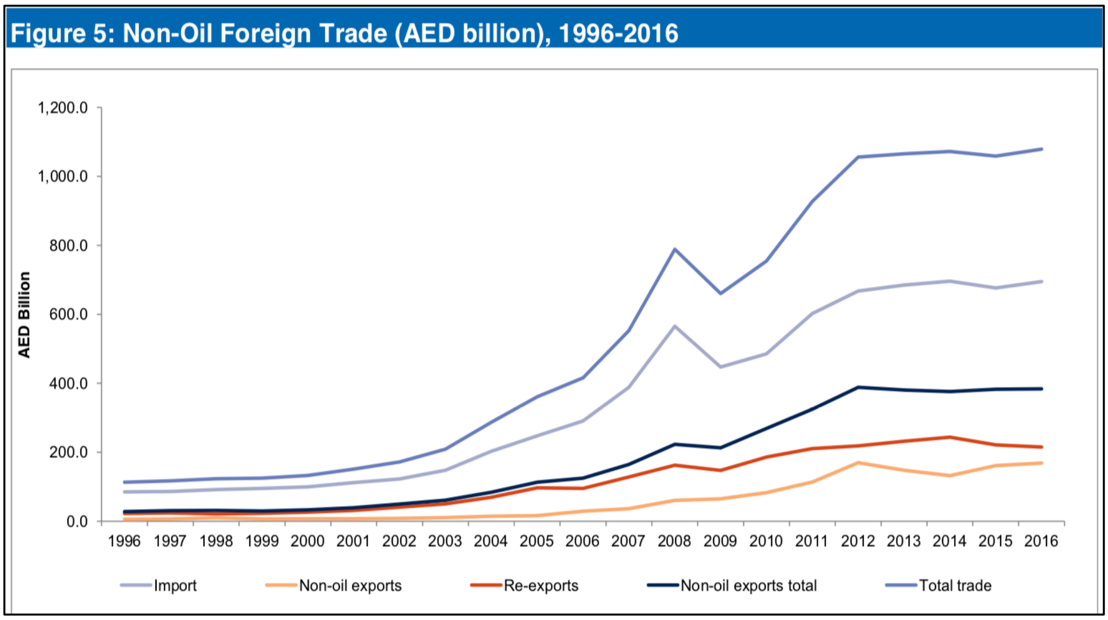
The freedom of expression is guaranteed by the UAE's constitution, but the government does not practice it. There are serious consequences if anyone criticizes the religion, government or its allies. Media is also restricted by these traditional restrictions but relatively operate more freely in the free media zones of Dubai. However, the zones remain subject to UAE media laws and have additional regulatory codes and authorities (Freedom House, 2016).

Overall, the UAE culture is a strongly knitted network with strong family values. People do business based on connections and networks, referred to as 'Waasta' in the local context. The social ties bring trust and loyalty in the business environment since everyone knows the other person in one way or another and obliges each other in business transactions. The government of Dubai practices open door policies and is striving hard to make its society relatable to all as the population of Dubai comprises more of expats than locals which has made Dubai a cosmopolitan city. It can be argued that it is a conservative society as compared to the western countries, but it works for the UAE nationals and expats living there.

5.2.4 UAE Economy

UAE has a significant diverse economic portfolio as compare to other Middle East countries. And the fluctuating oil prices do impact the overall country's economy. It grew at a rate of 2.7% in the year 2016. The country's economy is heavily dependent on oil, but it is making efforts to become less reliant on oil.

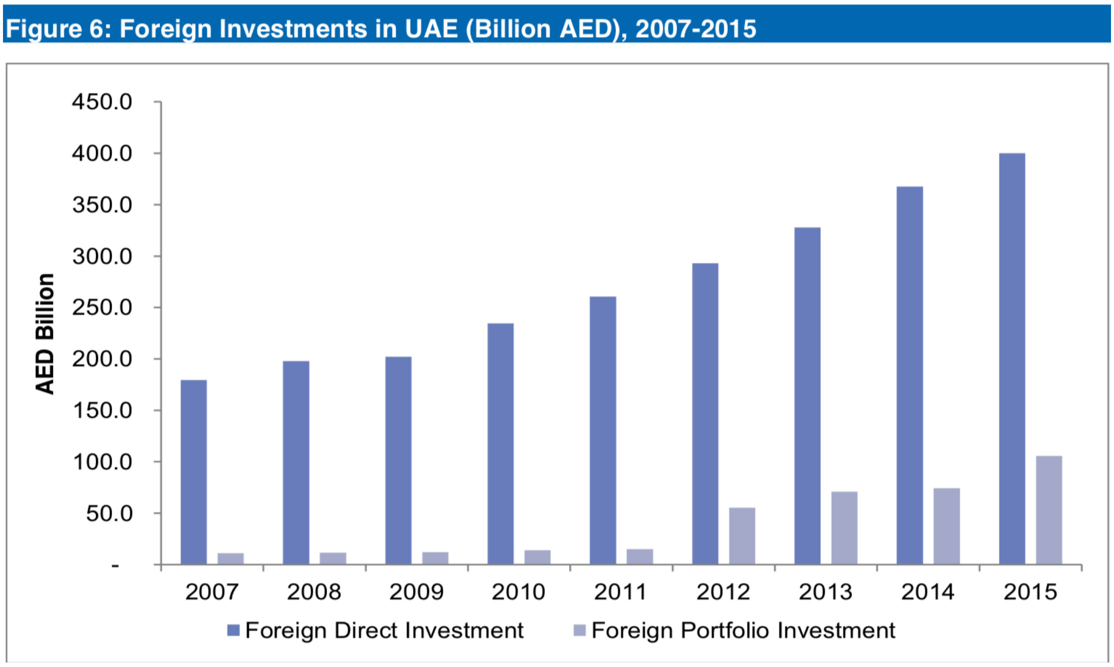
Figure 5.4: Non-oil Foreign Trade (AED Billion)



Source: (United Arab Emirates, 2017)

However, the foreign investments are showing an upward trend as the government of UAE enjoys good economic ties with several countries.

Figure 5.5: Foreign Investment in UAE (AED Billion)



Source: (United Arab Emirates, 2017)

5.2.4.1 Dubai – Economic Landscape

The economic history of Dubai dates back to the time when a few tribesmen from the Bani Yas tribe relocated to Dubai in 1833 to be near the Dubai Creek, being fishing and pearl diving the main economic activities of the Trucial State. However, the economy of Dubai truly flourished when Dubai Creek was made a free port following the incident of fall of Port Lingah[58]. After establishing Dubai Creek as a free trade port, the ruler of Dubai offered incentives to merchants to relocate to Dubai Creek. It brought the influx of Persian and Indian merchants and traders from all over the world. The strategic location of Dubai Creek made it a major trading and re-exporting hub, back in 1800s (Zahlan, 1978), which gave birth to Jebel Ali Free Zone in 1985; the critical turning point in the economic history of Dubai. Jebel Ali Free Zone was built around the Jebel Ali port to provide foreign companies to establish their businesses in a business-friendly environment.

The ruler of Dubai realized very early on that development of Dubai lays with its geographical location that trade is the route to growth. Dubai, though being known as an

[58] Discussed above in the historical section (5.1).

oil-dependent state, takes its revenue largely from its trade and services sector. According to recent official statistics, Dubai handled more than $176.1bn (Financial Tribune, 2016) of trade to which JAFZA is a major contributor. JAFZA's non-oil foreign trade reached up to $80.2 billion in the year 2016 (Jafza, 2017) which is approximately 21% of Dubai's GDP (AHK, 2017). Dubai incorporated alternative viable economic alternatives (freehold property ownership, tourism, other tax-free free zones etc.) and maintained liberal policies in order to encourage business activities in the region.

Dubai is making attempts to diversify its economy as it cannot rely on its modest oil reserves for its economic development in the long run; since oil reserves are expected to be over in the next 20 years. Dubai's continuous efforts in pursuing economic diversification towards areas, such as financial services, renewable energy and tourism are prominent with the non-hydrocarbon sector's share. For example, Dubai is the 4th most visited place in the world after London, Paris and Bangkok. Dubai recorded approximately 14.2 million visitors in 2015 registering an increase of 7.5% as compared to 2014 (Khaleej Times, 2016). While creating several free zones (e.g. JAFZA, DAFZA, Healthcare City among others) is also another formula of wealth maximization that Dubai has practiced after the success of JAFZA.

Figure 5.6: GDP growth in Dubai and worldwide

Source: (Emirates247, 2017)

The overall slowdown of world's economy affected Dubai, as well, resulting a drop in Dubai's GDP to 2.7% in 2017, the lowest ever after the 2008-2009 crises (Kerr, 2017). However, Dubai's economy is said to grow better in the year 2018 reaching 3.5% in comparison with rest of the world, according to the current year forecast (Anderson, 2018). The economic diversification strategy of Dubai has helped to be able to sustain itself in the turbulent economic times. According to Mr. Safadi, the chief economic advisor, *'Dubai's economy has internalised the shocks of lower oil process, the strong US Dollar and Brexit'* (Financial Times, 2017), even if it is by means of introducing VAT and excise tax.

It can be argued; the key to Dubai's success is the integral relationship between liberal economic systems and social and cultural liberalism (Elsheshtawy, 2004).

5.3 Summary

Dubai became known to the world as an 'entrepot'[59]; this 'characteristic' of Dubai played an important role in its success story in the past and today where its economy is being compared with other large economies like China and India. The economic success of Dubai is chiefly the by-product of its free zones and services sector. The major event that can be considered critical in the history of Dubai is the fall of port Lingah and the leadership of Dubai acting promptly to make its creek, a free port. The geographical location, no doubt, was a crucial factor in the success of Dubai Creek and later in the success of JAFZA but the perception and risk-taking nature of Dubai leadership also played a vital role in taking the initiative. It set the pattern of future economic success of the emirate that continued with the appropriate steps taken, at a right time, to ensure the growth of the port and its facilities. It aided the government in gaining confidence from its society due to its successful projects. It helped Dubai immensely what it is today. Additionally, the economic diversification and the efficacious decisions by the government of Dubai has helped paved its path to economic success and allowed it to emerge from the financial crises several times.

The traditions and culture of Dubai, being a sheikhdom, has helped it to evolve in a 'city like country' where the ruler has a final word in making decisions. Even though, Dubai has various consulting bodies, but the authoritarian system reduces the number of government levels that a decision has to pass before it gets implemented. And the

[59] A port or a city used as a transhipment hub for import and re-export of goods.

successful outcome of these decisions while providing the basic necessities of life to its citizens has helped the leadership of Dubai in cementing its credibility in the eyes of its nation. It can be argued; the traditional practices of being loyal to the ruler of the tribe and be able to trust his/her decisions has made the journey worthwhile, in the case of Dubai.

The concept of having a free port or a free zone is not new to the world but the event of JAFZA has become an interesting case to the rest of the world as it one of the strongest pillars of Dubai's economy by generating approximately one-third of Dubai's total GDP. It can be said that JAFZA was the stepping-stone in the economic history of Dubai. The success of JAFZA made possible the establishment of other free zones in Dubai as it currently hosts 22 free zones catering to different fields bringing prosperity to the emirate.

This chapter provided the summary of different elements of Dubai's society to shed light on how the system works and the nature of the society. These underlying forces (along with other factors) embedded in the society will become visible in the next chapter when themes are drawn out from the data (Chapter 6: Findings.).

Chapter 6: Findings

The thesis explores the process of legitimacy acquisition of an institutional innovation in a case of an emerging economy, essentially establishing a relationship between institutional entrepreneurship and legitimacy. The Chapter 3: Research Methodology describes the research design and methodology adopted for this thesis to respond to the study's research questions[60].

This chapter reports the findings arising from the application of conceptual framework developed for the thesis, previously explained in Chapter 4: Conceptual Framework. The findings are based on 18 semi-structured interviews and secondary sources detailing the process of establishment of Jebel Ali free zone (JAFZA), Dubai – UAE. The interviewee participants were distinguished into two groups: JAFZA management (6 individuals) and the independent[61] companies (12 cases) of the Jebel Ali free zone. The JAFZA management participants either worked at JAFZA (a Dubai government body) or another government entity associated with JAFZA. So, the participants from JAFZA management group are taken as government officials. And the companies used for this study have their either regional or stand-alone offices in Jebel Ali free zone.

The interviewees representing JAFZA management group were used as internal stakeholders to analyze the 'Phase 1' (See Figure 6a below) and the interviewees representing JAFZA companies as external stakeholders (along with JAFZA management as internal stakeholders) to inform the 'Phase 2' (See Figure 6b below) of the conceptual framework – providing a holistic view of the legitimacy acquisition process of establishment of the Jebel Ali free zone (JAFZA). The focus of this chapter is on display of the patterns emerging from the data set while the analysis and discussion is carried out in the next chapter (Chapter 7: Discussion and Conclusion).

[60] See pg. 42.

[61] These are independent companies, clients of JAFZA, with no involvement from the government.

Figure 6a: Phase I

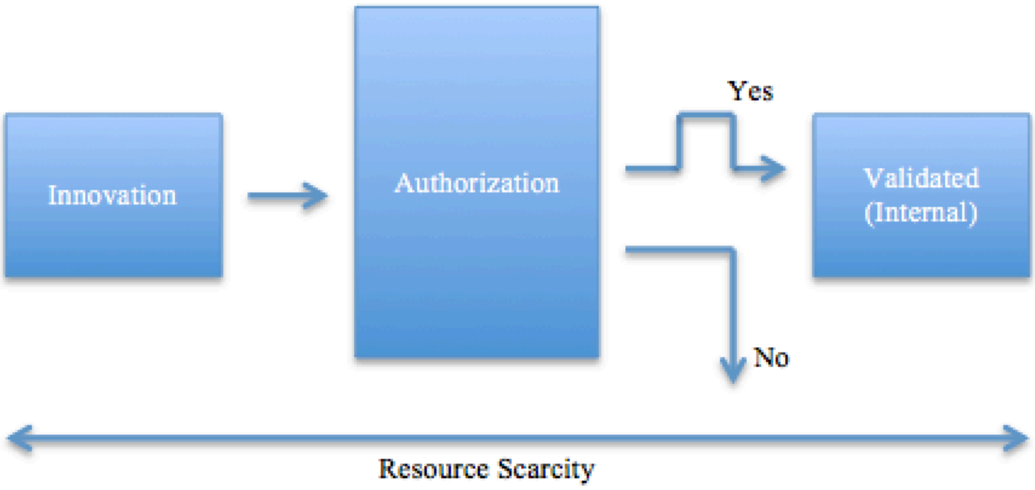
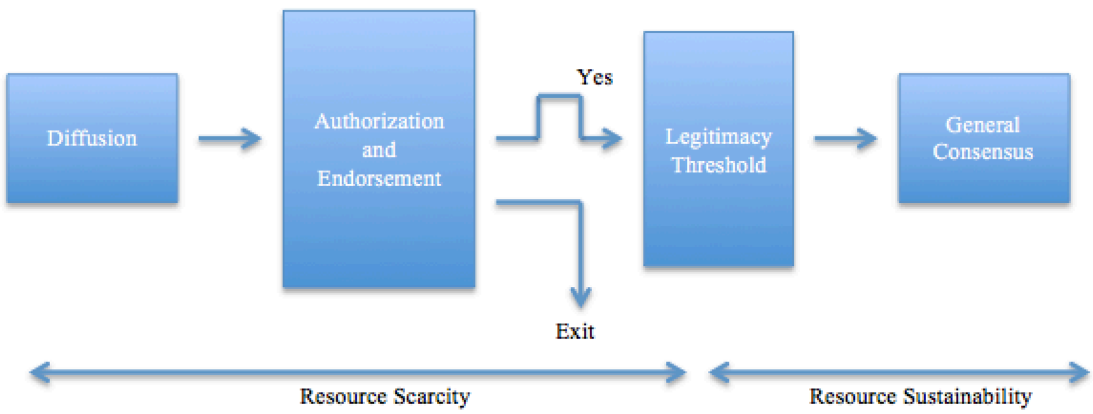


Figure 6b: Phase II



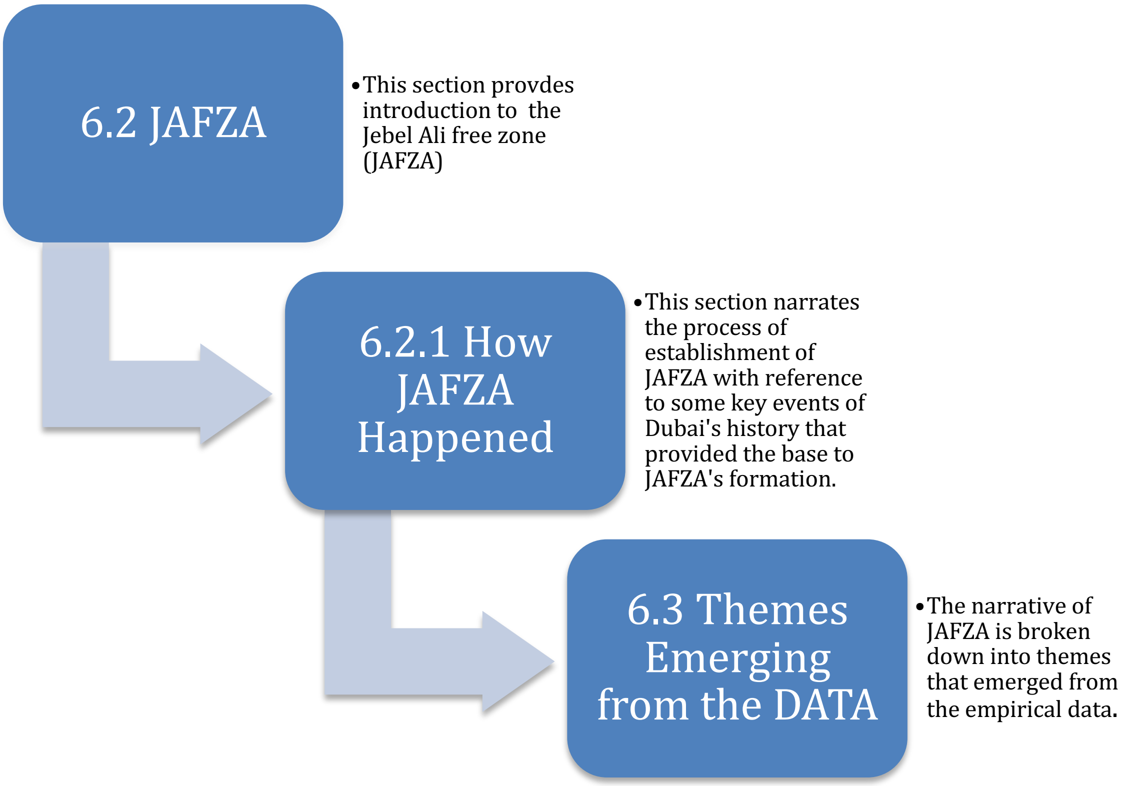
The next section describes the structure in which the findings are presented.

6.1 Structure of Findings

The findings are presented in two parts. In the first step (Section 6.2), a narrative account, recounting the story of establishment of JAFZA is presented. The comprehensive story of

JAFZA is described as told by the interviewees, along with the use of secondary sources. In the second step (Section 6.3), the narrative account of JAFZA is then categorized into themes by extracting and unlocking the story of JAFZA using thematic analysis. Lastly, the section 6.4 summarizes the chapter. Figure 6.1 below describes the flow of findings of the study.

Figure 6.1: Structure of the findings



The research design of this study as discussed in Chapter 3: Methodology follows the approach of systematic combining based on ‘abductive reasoning’. Systematic combining is an approach that involves continuous back and forth iterations between theoretical concepts and empirical observations (Dubois and Gadde, 2002). According to Dubois and Gadde (2002, p. 556) systematic combining is defined as *‘a non-linear, path- dependent process of combining efforts with the ultimate objective of matching theory and reality.’*

The systematic combining is more oriented towards the inductive approach than the deductive approach, but it emphasizes on a more continuous interaction between the theoretical concepts and empirical data than does grounded theory. Empirical research cannot be conducted without a well-investigated research question and knowledge of the theory (Suddaby, 2006), as *'concepts should be used in a sensible way to create a reference and to function as a guideline when entering the empirical world'* (Dubois and Gadde, 2002, p. 558).

The conceptual framework and themes were informed by the literature review initially that led to the identification of the topics used to elicit information about. The themes for analysis then emerged by using the systematic combining approach for this study; as systematic combining allows the framework to change or develop before, during or after the research process. I kept an open mind with minimal prior bias from the literature when interacting with the data; I let the themes emerge themselves from the data set. The data collection process is iterative between concepts and data. Each theme is an integral part of the thesis providing substantial justification how an institutional innovation of JAFZA was received and accepted in a society. These themes are further enriched by interview data and secondary sources. Table 6.1a below gives the synopsis of the themes developed for the analysis of the study.

Table 6.1a: Legitimacy Acquisition THEMES of An Institutional Innovation

Themes	Interpretation	Orientation
Intention and/or Motivation	- Working in an unfavourable environment might motivate I.E to initiate change. - Recognizing and seizing the opportunity.	- Entrepreneurial activity is considered to be an intentionally planned behaviour (Sabah 2016, p. 1) - Motivation plays an important part in the creation of new organizations, theories of organizational creation that fail to address this notion are incomplete (Herron and Sapienza 1992, p. 49)
Vision	- I.E should have a very defined vision of the idea in which he/she should have total belief. So that I.E is able to strongly convey the idea to the main authorities.	- Vision requires clarity of direction from the entrepreneur along with the delineation of roles and the development of reward systems for all those who join the enterprise (Smilor, 1997).
Environment	- Selection of the geographical location that provides the best possibilities and resources gives an authenticity to the innovation. - Geographically present within the vicinity of the established firms gives a perception of authenticity (branding).	- Selection involves locating in a favorable environment (Scott, 1995) - Selecting domains in which the norms and values are more accepting of the venture's products/services and/or vision (Zimmerman and Zeitz 2002, p. 424)
Social Position	- The key I.E has a higher rank in the organization hierarchy. - The social position of the key I.E allows him/her to influence the main body giving approval. - The higher the position, higher the power to influence.	- Dorado defines social position as '*their position in the structure of social networks*' linking it with the kind of people and networks an actor knows (2005, p. 397). It impacts on actors' perception of the field and their access to resources. - A social position of an institutional entrepreneur is considered an enabling condition to bring change to an institutional structure (Battilana, 2006).

Trust	- The authorities are able to trust the I.E as a person. - The authorities are able to trust in the capabilities of an I.E. - People are able to trust those initiatives of I.E of which a government (trustworthy) is a shareholder.	- Trust 'builds on initial knowledge about the partner. Personal trust may depend on the characteristics of a group such as an ethnic group or kinship, but it also occurs in bilateral (business) relationships, often-longstanding ones, where persons have come to know each other' (Höhmann and Welter, 2004, p. 6).
Track Record	- Previous successful decisions or track record is seen as a positive sign by the main bodies (institutions/government giving approval.	- Venture capital firms perceive a successful track record as evidence of skill, not just luck (Gompers et al., 2006)
Best Practices	- Incorporating the best practices of the field to get higher returns. - I.E use successful models operating elsewhere as prototypes to convince and assure stakeholders.	- By following societal norms, rules and regulations and complying with ideas, models, practices etc. seem to provide authenticity to an organization (Zimmerman and Zeitz, 2002) - Entrepreneurs may extend the analogy metaphorically, and thus stress the similarities with established business concepts in more remotely related industries (Werven, Bouwmeester and Cornelissen, 2015)
Skills and knowledge acquisition	- Hiring skilled people. - Contracting experienced management to look over the procedures.	- Gulati and Higgins (2003) found that recruiting senior managers based on their previous affiliation with prominent organizations enhanced the legitimacy of young biotechnology firms

Rhetoric	- Using story-telling techniques and powerful negotiation and communication skills to convince people.	- Rhetoric is useful to justify a new activity or idea as efficient and effective, appeal to socially accepted norms, and excite others' interests (Ruebottom, 2013)
Incentives	- Providing incentives to lure people into the project.	- Both monetary and non- monetary incentives are considered as workplace motivators (Nandanwar, Surnis and Nandanwar, 2010).
Symbolic Management	- The effort to control or influence other people's perceptions, for example, by getting involved in charitable events. -	- Entrepreneurs are more likely to acquire resources for new ventures if they perform symbolic action (Zott and Huy 2006, p. 70) - Stories are important organizational symbols that help legitimate new firms (Lounsbury and Glynn, 2001, p. 549)
Outcomes	- Showing and producing proper and tangible results.	- 'Performance, success and survival are among the more common operationalizations' (Yusuf, 2010, p. 326), along which an entrepreneurial outcome is measured. - 'A successful new venture was defined to be a venture that had (1) provided acceptable returns on investment to the founders and investors and (2) met predefined goals and objectives' (Song, Song and Parry, 2010, p. 132)

6.1.1 Participants Information

The main key actor identified as an institutional entrepreneur in the empirical study has been disclosed with the participant's approval as 'Sultan bin Sulayem' (Code: IE-CEO-00). Sultan bin Sulayem will mostly be referred as 'Sultan bin Sulayem', 'Sultan' or by the code: IE-CEO-00. The identity of an institutional entrepreneur 'Sultan bin Sulayem' was revealed, as it was essential to provide credibility to the findings. And the codes for the rest of the JAFZA management participants are given based on their occupation and department. The information about the rest of the JAFZA management participants due to their mixed anonymity requests has not been disclosed. And the information about JAFZA companies is also kept anonymous. The sample of JAFZA companies was selected, established across the period of 1985 – 2017, so that these companies could shed light about JAFZA at various points in time of its 30 years of existence. The companies are denoted by the codes as (CC-JFZ-##). Table 6.1b below lists the details of JAFZA management participants with their brief bios[62] signifying the value and authenticity of their stance (answers). And Table 6.1c lists the JAFZA companies' participant details.

[62] The brief bios of the participants are taken from www.linkedin.com and www.bloomberg.com

Table 6.1b: JAFZA management - Participants Details

Participants	Gender	Occupation	Code	Brief Bio
1	M	CEO	IE-CEO-00	The participant serves as Group Chairman and Chief Executive Officer of Jebel Ali Free Zone Authority. He has been appointed as the Executive Chairman of DP World[63] UAE Region FZE since May 30, 2007 and the Group Chairman and Chief Executive Officer of DP World Limited since February 8, 2016. He serves as an Executive Chairman of Dubai Ports International. He serves as the Chairman of Port and Free Zone World FZE. He is also on the Board of the Executive Economic Council as well as the Dubai Chamber of Commerce and Industry among other critical posts. He holds a BS in Economics from Temple University.
2	M	CFO	TLE-JFZ-01	The participant serves as the Chief Financial Officer at Jebel Ali Free Zone FZE. He joined JAFZA in October 2005 as CFO and was subsequently appointed Group CFO of EZW at its inception in 2007, when JAFZA and a number of other major enterprises were amalgamated. Previously, he acted as the financial controller of the Dubai Aluminium Company (DUBAL). He is a CIMA (1987) graduate.
3	M	Manager	MM-JFZ-02	The participant served as a Manager for Europe and CIS region at JAFZA from Apr 2015 – Sep 2016 building trade relations and attracting FDI from Europe and CIS regions. Earlier he was serving as Europe Region Head – Global Sales at JAFZA from Jan 2014 – Apr 2015. Previously, he had held positions at Madar Holding-Dubai, and Knowledge and Human Development Authority-Dubai.

[63] DP (Dubai Ports) World is a leading enabler of global trade and an integral part of the supply chain; with a portfolio of 78 operating marine and inland terminals supported by over 50 related businesses in 40 countries across six continents with a significant presence in both high-growth and mature markets.

4	M	Chairman of EZW and Vice-Chairman of Dubai Chamber of Commerce and Industry	TLE-EZW-03	The participant is the Chairman of Economic Zones World[64], Vice-Chairman of Dubai Chamber of Commerce and Industry, and Member of the Economic Council along with holding a key position in the family business. He holds a MBA Degree in Finance from the California State College and a Bachelor Degree of Science in Electrical Engineering from the University of Southern California.
5	M	Chief Economist Advisor	TM-DED-04	The participant is acting as the Chief Economic Advisor, Economic Research and Policy Division – to the Government of Dubai since July 2015. He was the chief economist of the government of Dubai in 2008 and 2009 as well. He worked for ABCD Bank in the interim responsible for trade and agriculture and for supporting the G20. He holds a PhD in Economics from Georgetown University, USA.
6	F	Senior Manager	MM-DIFC-05	The participant serves as the Senior Manager - Market Intelligence - Group Strategy at DIFC[65] since Sep 2008 and is responsible for the execution of development projects in the domain of regulatory, real estate and market entry for financial services firms to operate in Africa and Middle East. Previously she had held positions at Merrill Lynch, BNY Mellon. She is an Economics graduate from Université d'Alger, Algeria.

[64] Economic Zones World (EZW) is the global developer and operator of economic zones, technology, logistics and industrial parks under the Dubai World Group. Its portfolio includes JAFZA, one of the world's largest free zones; Techno Park, a research driven business and industrial park, and Dubai Auto Zone, an industry specific free zone.

[65] DIFC – A financial free zone 'Dubai International Financial Centre'

Table 6.1c: JAFZA companies - Participant Details

Participants	Gender	Code	Occupation	Year Established in JAFZA	Industry[66]
1	M	CC-JFZ-01	Finance and Admin Dep. General Manager	1994	Consumer goods
2	M	CC-JFZ-02	Group General Manager	2002	Industrial Manufacturing
3	M	CC-JFZ-03	HR Director	2010	Digital Camera and Medical Systems
4	M	CC-JFZ-04	General Manager	1999	Polymer Fabrics Shades
5	M	CC-JFZ-05	HR, Admin, IT and Legal Dept. Manager	1992	Industrial Manufacturing
6	M	CC-JFZ-06	Manager – H.R Admin	1995	Imaging, Sound and Radio Technologies

[66] It indicates the primary focus of the companies.

7	M	CC-JFZ-07	Group Director	2011	Real Estate
8	M	CC-JFZ-08	Chairman	1991	Security services
9	M	CC-JFZ-09	Chairman	1985	Logistics and F&B
10	M	CC-JFZ-10	Operations Manager	2000	Petrochemical Products
11	M	CC-JFZ-11	Finance and Admin Manager	1997	Musical Instruments
12	M	CC-JFZ-12	Sr. Manager	1992	Retail

The next section begins with the brief outline of JAFZA in Section 6.2 and the comprehensive narrative account of the Jebel Ali free zone (JAFZA) is described in Section 6.2.1 as told by the participants, with supplementary information taken from the secondary sources.

6.2 Jebel Ali Free Zone (JAFZA)

Jebel Ali free zone is a free trade zone established in 1985 in Dubai UAE, also commonly referred as JAFZ or JAFZA. It is located around the man-made harbour, Jebel Ali port, which is almost 35 km southwest of Dubai. JAFZA has proved its significance with the phenomenal success that it has achieved in its entire 30 years of existence. It is considered to be one of the main drivers of Dubai's exceptional economic growth as it contributes approximately 21% to Dubai's total GDP. Recently, JAFZA was awarded as the 'Free Zone of the year 2017' in the key categories (Large Tenant - Middle, Infrastructure Development and Facilities Upgrades) for global free zones by FDi magazine annual awards (Dubai Government Media Office, 2017).

Dubai was the first emirate in UAE to offer the model of a free trade zone. Even though it was not a new concept for the world, but Dubai was the pioneer to introduce it in the entire Middle East region. The Revised Kyoto Convention of the World Custom Organization (WCO) provides a core definition (with guidelines and standards) of a free trade zone as stated in one of the World Bank reports (Gokhan and James, 2008). It defines a free trade zone as '*part of the territory of a Contracting Party where any goods introduced are generally regarded, insofar as import duties and taxes are concerned, as being outside the Customs territory … and not subject to the usual Customs control.'*

There are various names by which these free trades zones are called, such as, free export zones, special economic zones, free zones etc. But essentially, a 'free trade zone' is a geographical area with either no taxes or very low taxes where the goods may be landed, handled, manufactured or reconfigured and re-exported, and are subject to custom duties only if goods are moved to the mainland area to be utilized by the consumers of that country (Encyclopaedia Britannica, 2016).

Jebel Ali free zone is spread over an area of 48 sq. km around the Jebel Ali port. It started its operations with just 19 companies in its first year of establishment and now hosts more than 7000 companies in its premises, including more than 100 of the Global Fortune 500 companies. It was the first free zone to win ISO certification in the world in 1996. JAFZA is an important component of multi-modal logistics corridor of Dubai connecting sea (Jebel Ali port), land and air (Al Maktoum International airport near Jebel Ali) that offers customers a seamless and fast transaction turn around for goods and freight passing across Dubai. JAFZA has established itself as a leading business import, export and re-export hub of the Middle East region. Today, JAFZA serves as a dynamic trade hub attracting more than 32% of UAE's foreign direct investment (Jafza, n.da.) and a whopping trade figure of $80.2[67] (Gulf News, 2017a) in the year of 2016 while surpassing 50% of total exports of Dubai (Jafza, n.da.).

JAFZA offers a one-stop solution to the companies for trade and commerce. Along with conventional free trade zone incentives, it also provides plots of land, world-class infrastructure facilities, onsite residences, customized development solutions onsite customs, warehouses and showrooms, retail outlets and business parks (Jafza, n.db.). Table 6.2a gives an overview of the type of sectors, licenses and incentives provided to companies in JAFZA.

[67] It equals to Dh294.5 billion.

Table 6.2a: JAFZA Classification and Incentives

Sectors	Type of Licenses	Incentives
Trading Service Industrial	1. Trading License 2. Industrial License 3. Service License 4. E-Commerce License 5. National Industrial License 6. Innovation License 7. Offshore License	1. 100% foreign ownership. 2. 0% corporate tax for 50 years (a concession that is renewable). 3. No restriction on capital repatriation. 4. 0% import or re-export duties. 5. 0% import or re-export duties 6. 0% personal income tax. 7. 0% personal income tax. 8. No currency restrictions. 9. No restriction on foreign talent or employees. 10. Ability to mortgage your premises to a bank or financing company.

Adapted from (Jafza, n.dc.)

The model of JAFZA has proven itself to be so successful that Dubai has gone on to establish other free zones in the emirate. Presently, Dubai hosts about 23 free zones catering to various industry sectors, ranging from healthcare to internet and media; that are built more or less on the same tax-free principles. Collectively, the free zones account for 32% (Dh 411 billion out of Dh 830 billion) of Dubai's trade (Gulf News, 2017b). Table 6.2b below shows JAFZA's contribution to Dubai's trade for the year 2016.

Table 6.2b: 2016 Dubai's Direct Trade Figures

JAFZA	Free Zones (All)	Total Dubai's Direct Trade
Dh 294.5 billion	Dh 411 billion	Dh 830 billion

Adapted from (Gulf News, 2017a, 2017b)

The next section explains in detail the findings of the study in a narrative format. It sheds light on the process of establishment of JAFZA in Section 6.2.1. It provides a broad view of how the notion of Jebel Ali free zone was conceptualized in Dubai, based on data gathered from the interviews and secondary resources.

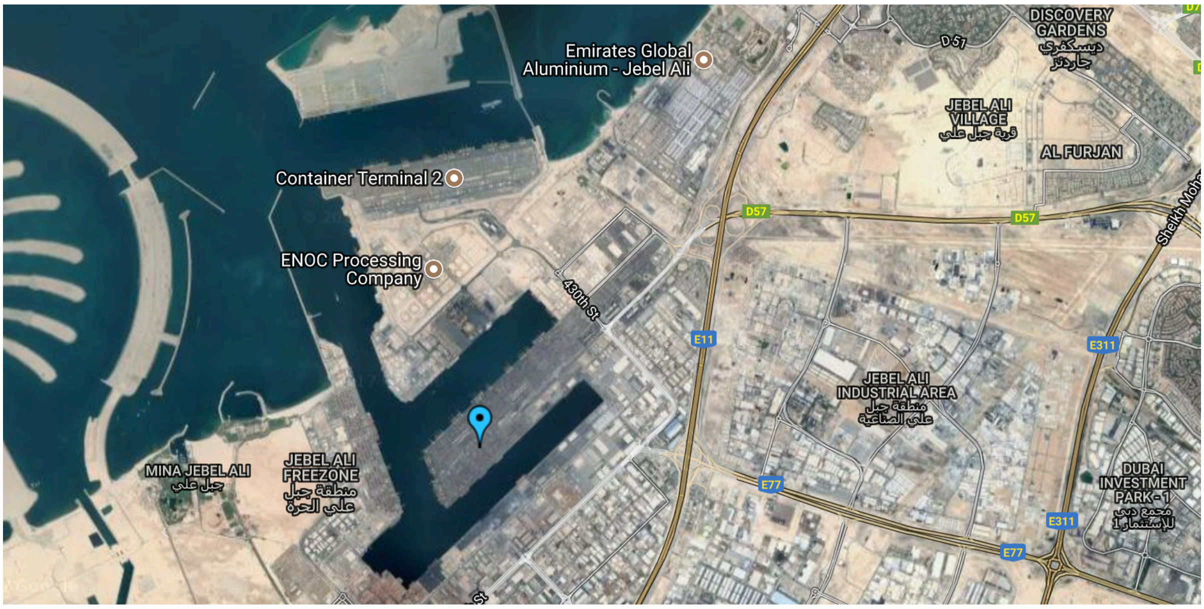
6.2.1 How JAFZA Happened

Dubai is known to world as ‘a tax-free paradise’, a free trading city. Dubai serves as a regional trade hub for the Middle East region. It is most commonly referred as ‘an entrepot city[68]’ since it has branded itself as a port city with no taxes for the import and export of goods. Dubai has maintained the past practice of ‘no taxes’ from the time of its tax-free Dubai Creek till date. Due to this particular characteristic, it has attracted trade and business, offering great advantages and incentives to the firms from around the world.

The government of Dubai had not imposed any kind of tax in the emirate until recently. Since the recent worldwide economic downturn affected Dubai as well so a VAT, with effect from 1st Jan 2018, on IMF recommendation was imposed on certain business sectors lately to diversify UAE’s economic portfolio and to absorb the economic shock. According to the chief economic advisor to the government of Dubai, Raed Safadi, ‘*VAT would not affect the FDI flowing into UAE as it is a decision based on consensus within the economy, preceded by 10 years of discussion with the key stakeholders of the private sector’* (Zawya[69], 2017). However, it is too soon to put the verdict out on the impact of VAT on the economy of Dubai or UAE.

[68] A commercial centre where goods are received for distribution, transhipment or repackaging.
[69] Zawya is a part of Thomson Reuters Middle East.

Figure 6.2a: Jebel Ali free zone (and Port)



(Google Maps, 2017)

6.2.1.1 Ports of Dubai:

As mentioned in the previous chapter (See chapter 4: History of Dubai), Dubai did not fare well in natural resources (oil and gas) reserves[70] as compared to Abu Dhabi[71]. The scarce oil reserves motivated the leadership of Dubai to constantly look out for different means to gain economic stability. Such attitude of finding more creative ways to become economically strong was seen in the history of Dubai and it is still a strong characteristic of Dubai.

One such significant decision made by the government of Dubai[72] (Sheikh Maktoum bin Hasher Al Maktoum) was to abolish all the taxes at its creek[73] (a tax-free port) in 1902 for the trade in that era (Al-Maktoum, 2006). The decision was taken in response to the Persians levying custom charges at the Port Lingah on the Persian Gulf coast. Port Lingah[74]

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[70] Abu Dhabi has most of the oil in UAE with 92 billion barrels while Dubai comes second in UAE with only 2 billion barrels of oil.

[71] UAE comprises of seven emirates – Abu Dhabi, Dubai, Sharjah, Ajman, Fujairah, Ras al-Khaimah and Umm al-Quwain.

[72] The names of the Sheikhs will be added only where needed to show significant decisions made by specific Dubai leaders.

[73] Dubai Creek had a 5% custom duty.

[74] Port Lingah's status as a trade hub was established in 18^{th} century and continued throughout the 19^{th} century.

was, primarily an entrepot with liberal tax policies, and used to tranship goods (mostly Indian goods) to the region; it was earlier administered by Qawasim's[75] but was taken over by Persians in 1887. Additionally, Sheikh Maktoum bin Hasher Al Maktoum enticed merchants of Lingah with free piece of land and personal protection guarantees (for their businesses) to relocate their businesses to Dubai. The idea was successful as hundreds of merchants started relocating to Dubai to conduct their business. Eventually, Dubai became a hub for trade for the Middle East region. This successful decision is considered to be the game changer for Dubai since it transformed the economic landscape of Dubai.

Later, Dubai Creek was further dredged[76] in 1960[77] to accommodate the growing commerce and much larger vessels as the business activity grew due to tax-free policy being offered at Dubai Creek (Al-Maktoum, 2006). The improved facilities offered sheltered anchorage facilities to merchants up to 800 tons[78]. The dredging gave an advantage to Dubai over the other nearby trading port in Sharjah (Sharjah is an emirate just next to Dubai) as it attracted more and larger shipping vessels[79] bringing in more trade, including re-export business from Dubai Creek.

With the trade activity at Dubai Creek growing beyond the expectations, the decision to build another port 'Port Rashid' was made at a location near Dubai Creek. The project of Port Rashid began in 1965 to expand the operations further, considering much more continuous traffic of merchandise (Chapman, n.da). The 'Port Rashid' started functioning in 1972 as a free port like Dubai Creek (MM-JFZ-02). Considering the rising trade boom (with both Dubai Creek and Port Rashid getting busier with trade) in Dubai, Jebel Ali port was established in 1979[80] to supplement the activities of Port Rashid and to further lift up the economy of Dubai. It's a man-made harbour, ranking as a biggest seaport in the Middle

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[75] The main residents of Sharjah were from Al-Qawasim tribe and are still a ruling family of Sharjah.
[76] The decision to dredge was taken looking at the creek situation (business activity), even though Dubai did not have the funds to dredge it but took the loan from its neighbour Kuwait.
[77] Different dates for the Creek dredging are found but taking the stance here from the book of Sheikh Mohammad himself.
[78] Earlier the small and medium-sized boats/dhows could offload up to only 300 tons.
[79] Merchants (due to the boom in shipping) were using large motorized ships after the Second World War II and the Creek was not able to accommodate such large vessels drafts that slowed down the shipping traffic.
[80] Various sources report different dates (1979 or 1980) for establishment of Jebel Ali.

East region (MM-JFZ-02). Jebel Ali port was conceived as an industrial port with further expectations of an industrial town developing around the port, in order to farther elevate the economy of Dubai (Chapmen, n.db.). However, the industrial town at Jebel Ali did not get set up at that time.

6.2.1.2 Origin of Jebel Ali Free Zone

The idea of having a free zone around the Jebel Ali port came by necessity rather than by design. As also mentioned in Chapter 4: History of Dubai and above in Section 6.2.1.1, Dubai had very scarce oil reserves. The oil reserves in Dubai are depleting with time and expected to exhaust within the next 20 years (Aleklett's Energy Mix, 2014). Sheikh Rashid bin Saeed Al Maktoum who ruled Dubai from 1958 - 1990 used to express his concern about limited oil resources with his very famous saying as '*My grandfather rode a camel, my father rode a camel, I drive a Mercedes, my son drives a Land Rover, his son will drive a Land Rover, but his son will ride a camel'* (The National, 2010). The government of Dubai knew that it could not rely on oil for any long-term income. So, it needed to stimulate its economic environment to make up for the scarce oil reserves as compared to its neighbouring state (Abu Dhabi) and other regional oil-based nations. The figure 6.2b below shows the dependence of Dubai on oil as it contributed around 50% to Dubai's total GDP during the years 1975-1985.

Figure 6.2b: Dubai Annual GDP growth rates during five-year periods (%)

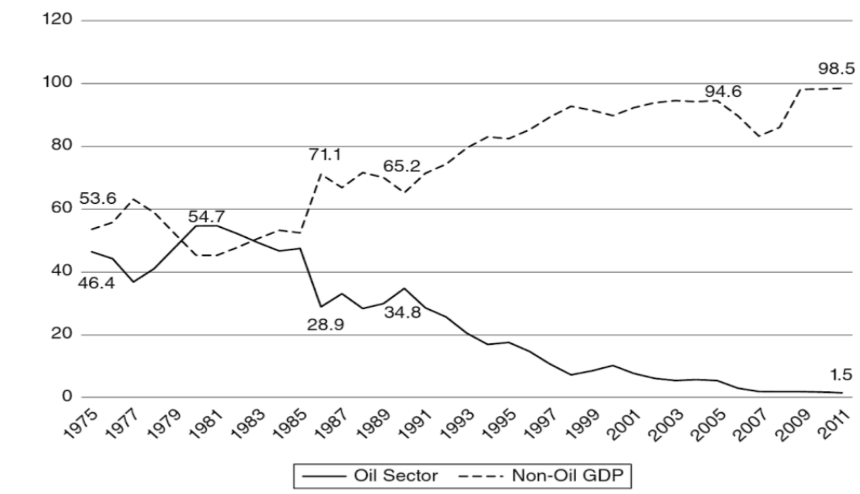

Figure 2.4. Dubai: Shares of oil and non-oil sectors in GDP (%)
Source: Own elaboration based on data from Dubai Economic Council and Dubai Statistics Center

Adapted from (Al Faris and Soto, 2016)

Sultan bin Sulayem is said to be the key actor (referred as an institutional entrepreneur in the thesis) in establishing the Jebel Ali free zone (JAFZA) and was also appointed as the first chairman of JAFZA. He also acted as one of the advisors to the current ruler of Dubai, Sheikh Mohammad bin Rashid Al Maktoum (r2006 - till date)[81]. Sultan mentioned that the business activity at Jebel Ali port was quite slow in 1980s even with the existence of two ports – Port Rashid and Jebel Ali Port. The government had hoped the business to flourish with the addition of Jebel Ali port that was built to supplement growing Port Rashid commerce activities, but the Jebel Ali port did not flourish as expected.

As told by Sultan himself, he started his professional career as a customs officer (trainee) at Jebel Ali port in 1982 after completing his studies from Temple University, Philadelphia. He mentioned in one of the interviews given to Fortune Magazine that since the business was quite slow in the early days of Jebel Ali port, so they had a lot of time to kill. He said, '*We were so bored that if someone barged into our office by mistake, that was an exciting day*' (Gimbel, 2008). One such visitor suggested that tea[82] might be a good commodity to bring into the port to stimulate business at Jebel Ali port since traders try to procure it from different markets around the world. If a free trade zone with no taxes is created next to the Jebel Ali port where manufacturers can manufacture and trade, then companies could easily use it as a base to mix and blend tea there. Tea was a heavily consumed commodity in the UAE due to large number of Persians and Asians being resident there at that time. The total of 14568 tons of tea was imported into UAE[83] in 1982 from different parts of the world[84] (Food and Agriculture Organization of the United Nations., 1987, p. 135).

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[81] There is no current information of him being an advisor to Sheikh Mohammad bin Rashid Al Maktoum (r2006 – till date) after 2010 as he was taken down from his post of chairman of Dubai World when the emirate was plunged in recession due to real estate speculation. Dubai World is a government group with a portfolio focusing on the strategic growth areas of Transport and Logistics, Dry docks and Maritime, Urban Development, and Investment and Financial Services.

[82]Tea is heavily consumed in the Arab region as a traditional drink after meals. It was a major commodity used to be imported to Iran from Chinese and Indian markets mostly as Iranians are fond of tea as well.

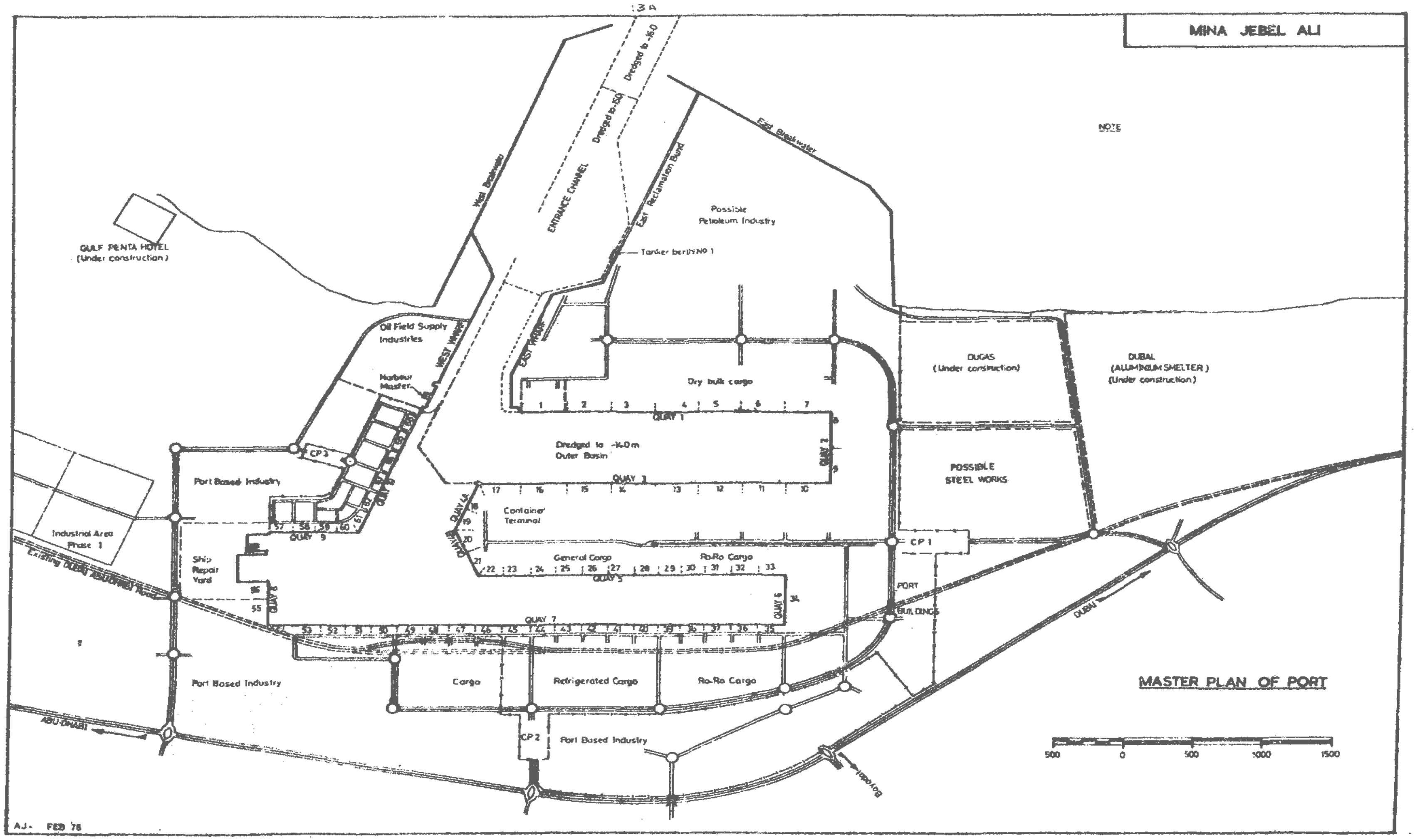
[83] UAE population in 1980 was estimated to be 1,042,099.

[84] India, Srilanka, China, Bahrain, Other Asia, United Kingdom, Other Europe, Other countries.

Sultan was drawn towards the idea and wanted to see if the idea had any potential. Sultan was considered to be not very happy with the customs job he held at Jebel Ali Port because he wanted to be at the centre of action and Jebel Ali was a dull port at that time. But Sheikh Mohammad appointed him as a customs officer as he wanted young blood to develop the port. However, the suggestion made by a random visitor provided an opportunity to Sultan to look into it and prove himself to Sheikh Mohammad that he can handle big projects/jobs and more responsibility (Gupte, 2011).

Sultan mentioned in the interview that Sheikh Rashid bin Saeed Al Maktoum (r1958-1990) wanted to build infrastructure in Dubai of which Jebel Ali Port was a major component. He had envisioned an industrial town around Jebel Ali Port in 1972, that is, at the same time of development of the Jebel Ali port but the Jebel Ali town was not built back then and only Jebel Ali Port appeared on the map of Dubai in 1980. However, Jebel Ali port was built with an intention of a free zone as the law passed for Jebel Ali in 1980 clearly mentions the word 'free zone' in it though the orders for defining the free zone were issued later in 1983 (Dubai Courts, n.d). The figure 6.2c below shows the master plan of Jebel Ali Port (1978) with industrial towns/port industry marked clearly on the side. It indicates that the industrial town (a free zone) was in the plan in the time of Sheikh Rashid bin Saeed Al Maktoum but did not get developed.

Figure 6.2c: Master Plan of Jebel Ali



Source: (B Sharp 2017, personal communication, 3rd Feb

Sultan came upon a study (Sir William Halcrow and Partners Ltd. created a report for Jebel Ali port for Sheikh Rashid) of Jebel Ali port by virtue of being a customs officer at the port. He saw that government of Dubai had the free zone (mentioned as port-based industry /industrial area phase I/II) in the blue print of Jebel Ali port but never acted on it. He asked around that why the free zone project did not go ahead, his colleagues and friends told him that it was abandoned mainly due to the uncertain situation of the region due to Persian Gulf War between Iraq and Iran.

6.2.1.3 Why Jebel Ali town was not developed

The construction of Jebel Ali town was not pursued because it was believed that the time to build this mega project was not right due to the Iraq-Iran unrest in the region. The war between Iraq and Iran had started when Jebel Ali port operations commenced. Dubai had gained a status as one of the Persia's significant re-export centres since Dubai became home to a large number of Persian merchants fleeing from higher tariffs at home (Port Lingah) at that time that resulted in lot of re-exports being channelled to Iran; almost half of Dubai's trading dhows were being used in re-export trade with Iran. Also, Dubai felt vulnerable because its scarce offshore oil facilities were exposed to the Iraq-Iran attack in the Arabian Peninsula as many oil tankers were attacked in the Persian Gulf by both Iraq and Iran forces. The Gulf war crises led to a 25% drop in commercial shipping and a sharp rise in the crude oil price. Hence, there was lot of uncertainty on the business and trade front in that region due to Iran-Iraq issue (The Strauss Center, n.d.).

6.2.1.4 Visit to the other Ports

However, Sultan decided to buy an around-the-world ticket in 1983 summer to quench his curiosity about the study as he was drawn towards the idea given by that random visitor and wanted to prove himself to the ruling family. So, he visited the various free zones and ports at locations such as Hong Kong, South Korea, Singapore, Taiwan, Honolulu, Dallas, New York and gathered information. Since he was working as a customs officer at Jebel Ali port, so he was mainly looking at the custom facilities to prevent or counteract any smuggling activities from the port perspective. That is, Sultan wanted to gain further knowledge about the port and custom activities to apply at Jebel Ali. Because in 1980, the only characteristic of a free zone effective at Jebel Ali port was a 'customs free' zone for re-exports.

However, he noticed the combined advantage of a port with a free zone at these locations and tried to gain information that how these ports were operating in conjunction with the free zones. He further noticed the infrastructure built around the port at these locations where the factories were in operation and the custom free boundaries around the port how the companies were enjoying the tax-free privileges. The business activity was not only around import or export of goods, but the companies were also able to manufacture and produce goods in those custom-free areas. Further, he noted that these ports had a sub-zone (a part of the zone) that enjoyed free zone status not necessarily in the port area. He meant that the few free zones where he went to gather information were not directly adjacent to the port. They were in a different part of the city but still enjoyed the status of a free zone. He was fascinated with the significant catalyst effect of the free zone on the economy of these countries. Sultan thought if they (Dubai) could provide buildings/factories on lease to the people (as Dubai had lot of land available at that time) then it might encourage people to establish their base at to Jebel Ali.

So, he gathered the required data about the free zone model from these above-mentioned locations and came back to Dubai. He presented the idea to his boss[85] with all the details and specifics. The immediate management (his boss) was not fully on board with the idea. They were hesitant, as they did not see any critical impact of having a free zone on Dubai's economy. His boss was a bit doubtful about such a huge project because there was no cargo traffic at the Jebel Ali port at that time and merchants also still preferred to use Port Rashid (See Section 6.2.1.5a). His boss told him if he wanted to talk to government officials about his report, he can go ahead and gave him his approval. Sultan had an easy access to Sheikh Mohammad (son of the ruler of that time – Sheikh Rashid) as Sultan's father had served as a government minister and an advisor to the ruling Al Maktoum family in his time. Sultan also used to go to Sheikh Rashid's Majlis when he was a young boy where Sultan met Sheikh Mohammad for the very first time, and hence, the acquaintance grew. Sheikh Mohammad was managing the oil profile of Dubai along with being the Defence Minister, so Sultan thought to try his luck with him. Sultan is referred to as a close friend of Sheikh Mohammad (Kerr, 2010).

[85] US-Sealand Shipping Company administered Jebel Ali Port in 1980s.

6.2.1.5 Report on the Free Zone

The basis of Sultan's report was to make a viable proposal to the government showing how a free zone around the Jebel Ali port can bring business to the port, essentially improving the economic situation of Dubai when the port provided a very strategic route between East and West. He highlighted the four major points in his report presented to Sheikh Mohammad.

a. Create a Free Zone to improve Sluggish Business at Jebel Ali

The government of Dubai had assumed with the development of Jebel Ali Port that the trade would continue to flourish based on its other ports' histories. Both Dubai Creek and Port Rashid had positive impact on the economy when they started operating. But Jebel Ali Port did not do as well as expected. Jebel Ali port's failure in its early days to be as profitable and effective as the other Dubai ports could be put down to two reasons. Firstly, a US shipping company – Sealand Shipping – was managing the Jebel Ali Port. It made other shipping companies reluctant to use it since they looked at Sealand Shipping as their competitor. So, only a small number of shipping lines were willing to use Jebel Ali Port. And secondly, merchants perceived Jebel Ali to be far out of the town as the other ports – Dubai Creek and Port Rashid – were exactly in the centre of Dubai where their warehouse and sheds were based. Consequently, Sealand Shipping Co. mainly generated the throughput at Jebel Ali port (Chapman, n.da).

Sultan wanted more traffic to come to the Jebel Ali port to make it economically favourable, as there was no strong growth seen in Dubai business sector in 1980s apparently. He suggested creating a free zone around the port with liberal tax policies to boost the business environment in Dubai. The figure 6.2d below shows that Dubai had a 0.2% growth rate during a five-year period 1980-1985, hinting that the establishment of Jebel Ali port did not create much business prospects for Dubai as it was expected.

Figure 6.2d: Dubai Annual GDP growth rates during five-year periods (%)

Macroeconomic Overview 25

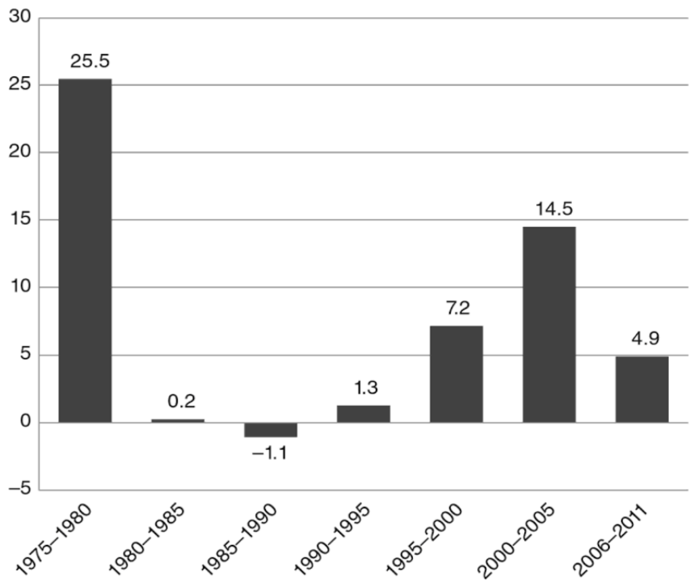


Figure 2.3. Dubai: Annual real GDP growth rates during five-year periods (%)
Source: Own elaboration based on data from Dubai Economic Council and Dubai Statistics Center

Adapted from (Al Faris and Soto, 2016)

b. Infrastructure for JAFZA

Sultan proposed to use the infrastructure around the port in a form of free zone to attract customers to the port. By free zone, Sultan meant an area for the companies to do business/trade with relaxed custom regulations independent of the mainland Dubai jurisdiction. The idea was to lease already built warehouses and land (companies can build their office/warehouses themselves) with great incentives to the companies in return for their presence in the region. The Jebel Ali Free Zone project did not get any funding from the government, so it proposed generating revenue by leasing land and warehouses to the companies. The stance that Sultan had was that it made sense to add a ‘free zone’ to the port as it could lease the already existing unoccupied warehouses and buildings that came with the port, as a starting point and later if the idea became successful, the land is available[86] for further extensions if need be.

The combination of a free port with the free zone, along with a strategic location, was a

[86] Since the population size of Dubai was quite small and Dubai had a lot of available land at that time.

tool to attract companies as large storage and facilities were provided. Jebel Ali port was promoted as a free port to stimulate trade and commerce; a harbour where there was no import and re-export duties levied on the loading and unloading of the consignments. It had facilities where the goods could be stored for re-shipping free of duty. And a free zone is an area where goods can be manufactured, sold, bought or consumed free from import or export duties within the free zone boundaries. So, a combination of both free zone and a free port was attractive to the companies to build their factories and use Jebel Ali as a distribution and transhipment facility.

By the time when Port Jebel Ali was built, the era of Just in Time (JIT) deliveries, globalization and bigger container ship sizes had just begun. This required a bigger port and more space to handle and store cargo than Port Rashid was able to offer. Earlier the cargo was handled by an old method of barges and tugboats, which was replaced by old shipping and railways containers that were lashed on the decks. However, the situation got further changed with JIT deliveries and bigger containers. The shipping lines were no longer willing to leave their containers behind at the Port Rashid. The problem was that the shipping lines wanted to unload the consignments and load another one to take back, but the Port Rashid did not have the purpose-designed container handling facility. Though Port Rashid later accommodated the changing pattern in the shipping industry by changing one of its berths into a container terminal and then in its extension proposal, some of its berths were also redesigned as container terminals (Gupte, 2011).

The port activity at Port Rashid also grew with its expansion. But the growing activity required more expansion of the Port Rashid. Specialized plant and machinery were needed to handle containerisation needs that meant more investment was needed at Port Rashid to maintain container-handling competencies. But Dubai Government now controlled investment that made the investment administrative process a bit slow. Earlier Port Rashid was managed by Grey Mackenzie and Co and Jebel Ali port by Sealand Shipping Company. By 1990, Dubai faced a situation where both the management companies were acting as competitors chasing the same business. Therefore, Dubai Government resolved this situation by terminating management contracts for the both ports and established a new independent Government owned commercial entity called Dubai Ports Authority (DPA) in 1990 and managed both ports as a single port.

Additionally Port Rashid was functioning at its maximum capacity without the corresponding increase in plant and machinery and there was no space for further extension being in the centre of Dubai whereas Jebel Ali Port had underutilised land and berths (Chapman, n.da). So, the option of having such large space and facilities[87] in JAFZA was an invitation to the companies to establish their presence along the Persian Gulf borders, to monitor the trade and grow their business.

c. Agency Law of Dubai, UAE

The world was a bit skeptical about the business structure of Dubai due to its 'Kafil' system – also known as agency law operating in Dubai and rest of UAE at that time. The agency law, of having a local partner controlling 51% of shares in any business, operating in these emirates at that time was not attractive to the foreign businesses as it weakened the investor power and authority even when they were the only sole party investing millions and millions.

Agency Law is defined as the *'representation of a principal by an agent for distribution sale display or provision of a commodity or service in the state in return for commission or profit.'* UAE agency law comprises of business activities that range from a classic principal/agent contract to franchising and distribution agreements. An article by Mondaq described further the agency law as, 'Commercial agency activities in the UAE may only be carried out by UAE Nationals or companies wholly-owned by UAE Nationals. Once agency is granted and registered with the UAE Ministry of Economy, the termination of an agency relationship by a principal can be extremely difficult to effect and in most cases such terminations result in significant compensation awards in favour of the local agent.' (Gilligan and Smith, 2011)

One of the interview respondents described agency law as '*this protection is not something new created entirely for our system and government, but this was inherited by the UAE system that existed during the British rule. Protectionism is a name of a game that exists in several parts of the world. So almost all of these such traditions have been brought in from that time and some of them still exist'* (TLE-EZW-03). He was referring to the British rule in the region before UAE was formed. British government entrusted the tribes and communities of the Persian Gulf to manage their affairs, but they were still

[87] Jebel Ali port was purpose built to handle containerization and changing shipping patterns.

under the protection of the British Government responsible for making final decisions for these tribes. However, the model of free zone facilitated the business environment by bypassing the agency law, especially to attract the foreign big multinational and sponsors. It allowed companies to have full ownership of the company with 100% rights, without the ‘Kafil’ condition.

d. To Lure Small Companies

The idea was also to lure other smaller companies to Jebel Ali. Sultan thought if the free zone could attract any large groups to Jebel Ali that would work as a bait to tempt other smaller companies to establish their presence in JAFZA due to the proximity of big conglomerates. Sultan was using the multinationals presence in Dubai as a bait, to give these much smaller companies a reason to open up their businesses there as the vicinity of big multinational firms always open new networks of business opportunities for small companies to become lucrative and gives them a chance to branch out as well.

6.2.1.6 Access to Royalty

So, Sultan approached Sheikh Mohammad (the present ruler of Dubai, r2006 – till date) and presented the information to him. Sheikh Mohammad was in charge of Dubai’s oil profile at that time along being the Head of Dubai Police and Minister of Defence. Since Dubai, being a part of Arab culture always has a tradition of holding Majlis (discussed in detail in Chapter 4: History of Dubai), where local people are able to bring up any new issues or discuss any concerns. Even in the past, people could access the higher authorities to discuss any issues, with regard to emirate matters and its people. With time, that access has become limited to elite businessmen and influential people only. However, Dubai leaders have always been to open to new ideas and ways for creating economic wealth. Since Sultan was confident of his research and knew Sheikh Mohammad so he approached him and presented his idea. Sheikh Mohammad was open to any new ideas to make Dubai grow and gave Sultan a fair chance by listening to his proposal. Sheikh Mohammad seemed very interested and decided to pursue it and opened talks with the merchant community since the local and resident merchants had always been significant to trade and business in Dubai and were part of ruler’s Majlis.

6.2.1.7 Merchant Community Fears

The Dubai government had to go through a series of negotiations with the merchants and businessmen[88]. This debate between the government and the merchant community carried on for a couple of years (1983-1984). The merchants claimed that it was too far from their offices and warehouses as it was built 35 km away from the Port Rashid. Since these merchants had built their warehouses near Dubai Creek and Port Rashid, located exactly in the middle of the emirate. Secondly, the merchants argued that they might lose their business against foreign competition as more and more companies were expected to open up their offices in the free zone. It was not only the merchants but the consultants around the world were also uncertain about its viability. They considered the project to fail from the start because of its distance from the centre and the level of business activity at Jebel Ali port at that time.

However, the government gave the green signal for the project to go ahead. There was not a formal discussion between government and merchants because by 1980s, the dependency of Dubai's government on merchants had almost ended with the collapse of pearling industry[89] and revenues from landing rights and oil concessions[90]. Earlier the ruler's income was not that high as compared to the merchants and the ruler used to rely on merchants for any financial assistance they required. Additionally, the merchants used to pay a yearly sum based on their contract to the ruler due to taxes imposed on their pearling fleets that gave the power to merchants over the ruler in those times. Because of which merchants always hold a special place in Majlis (ruler's meeting place). Nevertheless, the merchants were still an important component to Dubai's trade and business and performed as an advisory board to the ruler, but the ruler's decision was no longer contingent to the merchants' approval or consent.

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[88] Sheikh Rashid always made a point to include merchants in discussions from early days since he knew the path to Dubai economic prosperity is through trade and business. And merchants were a key to trade.

[89] Pearling and fishing were a major trade in Dubai and Gulf states in 1900s.

[90] In the shadow of World Word II, British influence in the region grew as several military aircraft refuelling and civilian landing facilities were established (when landing facilities from the Iranian Gulf side were withdrawn) in Abu Dhabi, Sharjah, and Dubai linking Britain with its colonies in Asia, providing a source of income to the emirate's rulers.

The business community was still not fully on board with the idea, however, the free zone was established in 1985. Sultan told the Fortune Magazine that Sheikh Mohammad, the present ruler of Dubai, said to him, '*So if you really believe in it, you go run it*' (Gimbel, 2008). Since Dubai's political framework is an absolute monarchy with its own ruler having supreme authority so the word of the ruler is taken as the rule of law. And the leadership of Dubai is known for making fast decisions due to almost none or less bureaucratic barriers. Consequently, Sultan was appointed as the Head of JAFZA.

Therefore, the development of a free zone was seen as a niche by the government and they decided to tap into the opportunity. It looked promising to be a great source of income for the emirate, on both accounts – business and leasing land. The government anticipated increase in the number of vessels coming to Jebel Ali port (bringing more business) and increase in the revenue as a result of leasing land to companies establishing their presence in the free zone area. Since the sole idea was to bring economic stability and prosperity to the region by focusing on trade, which in turn, was going to generate wealth. The Jebel Ali free zone was a gamble, but the risk-taking trait of an entrepreneurial state Dubai paid off in the end. Sultan bin Sulayem in an interview with The Guardian said '*If you think of the big maritime highway, it's from the Far East through the Red Sea to Europe. Dubai is a diversion. But the decision was to try it. We took a chance and it worked*' (2006).

6.2.1.8 JAFZA and International Standards

There is no fixed structure and standard in the world on which a free zone should be based except the general characteristics and features. The general laws and standards operational at JAFZA are not any different from any other free zone in the world[91]. But they are tailored with respect to the local context by carefully taking cultural, social and political factors into consideration. JAFZA faces no constraints or restrictions in dealing with the other governments and businesses on the international scale. It serves as a business platform that considers both the parties with the same international-tailored rules and laws at both ends. Only limitations that JAFZA follows are imposed on it due to its free zone structure and boundaries.

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[91] See pg. 30 for free zone definitions and pg. 186 that shows the composition of JAFZA.

6.2.1.9 JAFZA Early Resources:

The Jebel Ali free zone started with very minimal means[92] and labour and utilized resources that were readily available to it at that time, by virtue of being part of the port operations. The unused warehouses and cargo facilities of the port were the only infrastructure available at that time at Jebel Ali. The labour force in Dubai comprised of more foreigners than the locals as foreigners (mostly from South Asia and Persia) made up the 70% of population in 1980. The most important resource the government of Dubai had, at that time, was the land and the port facilities, as already mentioned above. So, the government decided to use the already existing port infrastructure amenities and started leasing it by converting the warehouses into small offices and factory units. They also leased the land to companies at a very cheap rate to build their own factories and warehouse if they wanted.

In Jebel Ali free zone's first year of establishment, it hosted 19 companies (for example, Hunter Foods and Palmon Group[93]) in total. By leasing warehouses and land to companies, revenue started to come in which was used for further development (to build infrastructure) of JAFZA. The available evidence suggests that JAFZA financed its growth out of profits generated by the influx of companies in JAFZA. By 2007 (already established successfully), JAFZA took a loan of AED 7.5 billion ($2 billion) (Reuters, 2012) to further improve the facilities in the free zone. In terms of expertise, the idea was to engage same people who were operating the port. The US Sealand Shipping Company was managing the port at that time. So those people managing the port were already geared to interact with logistic customers and operations and they continued administering both the port and free zone under the guidance of Sultan bin Sulayem. However, people at Sealand Shipping were more experienced in port procedures than in free zone operations so the process of learning was largely done by on the job (TLE-JFZ-01). Skill upgrade programs were made available to its employees to make the entire process more efficient and effective.

Presently, JAFZA has almost used 80% of its land facility (IE-CEO-00). So the earlier land concessions given to companies do not apply any more due to less supply and more demand of land. But other tax benefits of a free zone along with the strategic location still apply.

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[92] Warehouses and cargo facilities at the port.

[93] I found these two companies that were established in 1985 in JAFZA. However, JAFZA Authority does not share any statistics about its companies.

6.2.1.10 Running of JAFZA

Although JAFZA falls under a state-owned company but it is run as an independent corporation, owned by the government. The management is given full financial and administrative independence and runs JAFZA on a commercial basis (MM-JFZ-02). People have always been given a choice and looked and cared after so that they consider themselves an important part of the arrangement. The government always had the attitude of openness[94], which is reflected in how JAFZA is run independently of any government interference and how the firms are given an option[95] (Civil or Islamic) to choose the banking path they want to take.

According to one of the interviewees, 'the *idea of having stated owned companies really paid off during the credit crunch in 2008*.' Dubai was one of the few economies, which came out of that depression really quickly. He further added, '*people saw it as a safe heaven for their money. People trusted the government of Dubai to invest in this land and the number of companies actually increased during recession. People attribute this escape to the wise leadership and government they have. Since FDI plays a major role in any nation's economy which clearly helped Dubai in the time of credit crunch*' (MM-JFZ-02).

A number of monitoring inquiries and audits are performed regularly to keep the free zone and companies operating in the free zone up to the standards maintained at JAFZA. These checks are done not only at the management level but also at every step of companies' formation in JAFZA. Even after a company is formed, several security and environmental checks, health and safety checks, financial and physical checks etc., are performed along with a lot of surprise inspections so that there are only legitimate companies with no

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[94] According to (Bloomberg, 2018), JAFZA employs 268 employees in total. And based on LinkedIn profiles (100 profiles), approximately 35% of the workforce were women with 8% non-Muslims women, and with 21% foreign men workforce with 13% non-Muslims. Though mostly men occupy the key positions but lately there is an increase in women occupying high positions. The CEO of JAFZA is also a woman (local). However, in terms of benefits and salary, locals are favoured than non-locals and westerns expats seem to be favoured more than Asian expats (The Times of Israel, 2014; The National, 2015).

[95] Dubai law and legal system is basically derived from British and Egyptian law in conjunction with Islamic Sharia law (Islam is the official religion in UAE). Islamic Sharia law does not affect trade and business, as it is applicable to Muslims only with regard to family and inheritance matters. For more detail, see Chapter 4: History of Dubai.

suspicious interests. All these activities are carried out to ensure that the processes run smoothly at both macro and micro level at JAFZA.

6.2.1.11 JAFZA in 1990 and After

The business activity at Jebel Ali port and the free zone started to get better in 1990 with the establishment of an independent Government owned commercial entity, Dubai Ports Authority that managed both ports as a single port. Also, the business environment became favourable to the companies with the ceasefire of the war between Iran and Iraq in 1988. As already mentioned above, JAFZA started initially with only 19 companies but grew to 500 companies in its first decade of operations by 1995. In 1996, JAFZA was able to acquire the ISO certification. It was the first free zone in the world to get a world acclaimed certification. By 2000, it had 1000 companies. Presently, JAFZA hosts over 7000 companies with more than 100 Global Fortune 500 companies.

The JAFZA model was first replicated in 1996 in Dubai in the form of DAFZ (Dubai Airport Free Zone) when it started to show tangible promise with its contribution towards the Dubai's economy. DAFZ is a part of a strategic plan of Dubai's economy to be an investment driven economy, contributing 4.7% towards Dubai's GDP. DAFZ is considered to be a very significant free zone from the logistic perspective after JAFZA as it also provides warehouses and offices built near the airport on the same free zone principles.

6.2.1.12 DIFC and A Change in UAE Constitution

Following JAFZA and DAFZ, more free zones were added to the infrastructure of Dubai. And the free zones continuous growth kept on increasing the trust and acceptability factor of people on the leadership of Dubai such that when DIFC – Dubai International Financial Centre was established in 2004, the project took off without any hitch even when it demanded a change in the UAE constitution. DIFC is a financial free zone where only British Common Law is applicable (Carballo, 2007).

DIFC was presented to the world as a financial platform which hosts financial institutions like banks, insurance companies etc. all in one single district. The official mission of the DIFC is '*to promote the growth and development of financial services and related sectors within the UAE economy and to provide state-of-the-art infrastructure and competitive services to stakeholders'* (DIFC Authority Annual Review 2016, 2017). With the launch of this free zone, a change in constitution was made to UAE constitution, exempting Financial Free Zones from all federal, civil and commercial laws within the UAE; empowering to create its own specific legal and regulatory framework for all civil and commercial matters. It has its own legal system and courts distinct (British Common Law) from those of the wider UAE, with jurisdiction over corporate, commercial, civil, employment, trusts and securities law matters. Other laws of the UAE or the Emirate of Dubai, such as criminal law and immigration regulations, continue to apply within the DIFC.

The idea was to deliver a product to the world with which it was familiar so that the companies can reach out to the world with already known and acquainted laws and regulations. The world was already accustomed to the free zone concept of Dubai that started with JAFZA and later continued to the other free zones in Dubai. So, with DIFC being offered as a financial free zone with liberal tax policies, the financial institutions welcomed it since it was providing an opportunity to connect the financial regional market with the rest of the world economies. And multinationals presence in various other free zones of Dubai provided assurance to these financial companies about the sound structure and regulations prevailing in Dubai. Additionally, the DIFC's (DIFC's three independent governing authorities[96]) internationally recognized and independent regulatory scheme offers international financial institutions a peace of mind to reach emerging markets across the MENA region and Asia. DIFC's contribution to Dubai's GDP has risen from 6% in 2004 to now 12% in 2014 (MM-DIFC-05). Key global financial entities, including Credit Suisse, Deutsche Bank AG, and Standard Chartered have established branches in the DIFC.

6.2.1.13 JAFZA and the Companies

According to the company's interviewees, they are attracted to the Jebel Ali free zone mainly due to two reasons: incentives (See above Table 6.2) offered at the free zone and close proximity to the port since the Jebel Ali is at a location that provides a strategic route between East and West. The companies seem to be enjoying the business perks at JAFZA as it provides an advantageous setting for a regional trade hub from where they

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[96] The DIFC Authority oversees strategic development, operations, and administration for the DIFC. The Dubai Financial Services Authority grants licenses within the free zone and regulates all financial and non-financial entities within the DIFC. The DIFC's Dispute Resolution Authority oversees the administration and enforcement functions of the DIFC Courts based on common law principles and its own laws, the DIFC Wills and Probate Registry, and the DIFC Arbitration Centre.

can reach the markets across MENA and GCC region for import and export activities. One of the company's representative mentioned that even when they had an office in another free zone (another emirate) in UAE, they still had to bring the cargo to Jebel Ali to ship to other parts of the region and the world, so it made sense to have an office at JAFZA itself to cut on logistics costs. Additionally, JAFZA has a one-stop shop that provides assistance dealing with different government entities and all the paper work at one place, which is an added benefit to companies since it saves time and effort. Furthermore, JAFZA is continuously striving to improve its procedures and methods to make them faster and efficient that all the companies approve and appreciate. The words that companies used to describe JAFZA are like customer oriented, pro-activeness and forward looking. According to them, JAFZA is always improving, always coming up with new initiatives to help the business grow, as it is one of the outcomes of the vision of the leadership of Dubai. According to the companies' participants, JAFZA has been a very good initiative and is way ahead of any other free zones in UAE and the Middle East region especially in terms of administration, competence and providing solutions to day-to-day operations of the businesses. And as long as JAFZA is there, they claimed that they would be there as well and had no plans to move anywhere at the moment.

6.2.1.14 JAFZA Current Status

The concept of free zone caught on really fast. And not only in Dubai but also it opened venues for other emirates within and outside UAE as well. The majority of Fortune 500 companies and other big multinationals in JAFZA are currently serving the region all the way from western Africa to China. In total, JAFZA has more than 7000 companies operating from there. It contributes almost 21% to Dubai's total GDP. The government of Dubai has always been evolving and looking for more innovative and productive avenues where it can strive for more improved sectors. According to one of the respondents, '*if it had not become the success that it is now then Dubai would not have been where it is today. The contribution to the economy would have been there but not in the same magnitude, considering the fact that JAFZA only contributes to one-fifth of Dubai's total GDP'* (TLE-JFZ-01).

6.2.1.15 Summary

JAFZA definitely plays an important role in the economic growth of Dubai contributing more than 21% to Dubai's GDP today. JAFZA was successful in developing an infrastructure and implementing customer-focused services and a culture that strives and concentrates on customer needs and requirements. The customer-driven strategy at JAFZA with liberal tax policies and government support increased the business population, the number of consumers, and the overall business activity.

The role – Sultan bin Sultan – the mastermind behind the project of JAFZA cannot be denied. With his need to excel and improve the economic scene of Dubai, Sultan managed to strategically pull off the project with bare minimum resources and no funding. By continuously improving and providing a one-stop shop for logistics at JAFZA, Sultan has managed to make JAFZA a regional trade hub of the region – a vision seen by the late ruler Sheikh Rashid bin Saeed Al Maktoum. The success of JAFZA enabled the development of all other free zones in Dubai and rest of the region. So, all in all, it has helped the economy of Dubai to progress at a faster rate than it would have been in the absence of JAFZA. It has definitely facilitated Dubai to evolve into an emerging market and getting noticed by the world.

As the role of Sultan cannot be denied in taking the idea forward and taking the initiative to convince the government in JAFZA's feasibility, at the same time, the leadership of Dubai has also played a key role in being open to new ideas from novices like Sultan and believing in them. Sheikh Mohammad demonstrated this openness to new avenues and philosophies when he accepted and agreed to Sultan's proposal; and by giving the reigns of JAFZA to Sultan to head such a large corporation when the majority of people were not on board with the idea of JAFZA. Though the concept of free zone was not something new that Dubai invented. Many free zones were operating in other parts of the world at that time but it was new to Dubai and the leadership of Dubai was not scared of the outcome if it did not work. It clearly depicts the risk-taking nature of Dubai's entrepreneurial rulers who were continuously thinking of creative and innovative solutions to generate wealth for the emirate. However, the idea of JAFZA paid off making Dubai one of the fastest growing emerging economies of the world.

The next section highlights and describes the themes emerging from the narrative of JAFZA. These themes are derived with the continuous back and forth iterations between theoretical concepts and empirical observations.

6.3 Themes Emerging from the DATA

This section focuses on the themes emerging from the empirical data. The themes drawn from different disciplines and theories, defined above in Table 6.1a (also mentioned in Chapter 4: Conceptual Framework) are used as a working tool to examine the data.

Additionally, they are presented in tabulated form (within each theme) demonstrating the link between concepts and data. This tabulated version of themes follows the approach given by Bloomberg and Volpe (2016). The tabulated representation of themes shows how each theme is derived from the corresponding 'Theory' and 'Interview Question/s' asked about those themes to illicit information. In some cases, the themes might emerge implicitly from the data with no relevant explicit interview question asked about, which will be denoted by 'N/A' (Not Available). Additionally, the tabulated version also ties up the themes to the further anticipated analytical questions in 'Moving from Findings to Actions' that will be addressed and critically reflected in the next chapter (Chapter 7: Discussion and Conclusion).

A detailed justification of each of these themes is provided using the direct verbatim quotes of the interviewees along with the support from other secondary sources. The direct verbatim quotes of the interviewees and other secondary resources are represented in italics with inverted commas.

1. Intention and/or Motivation:

'*Entrepreneurial activity is considered to be an intentionally planned behaviour'* (Sabah, 2016, p. 87). The decision of an entrepreneur to start a new venture or a project requires some prior knowledge of the context and preparation to plan, implying that it is a conscious activity. Furthermore, the reward structure of an economy encourages people to be entrepreneurial (Baumol, 1990). In other words, an entrepreneurial career is considered to be more rewarding in terms of remuneration and returns than a regular wage employment. It also tends to provide an entrepreneur freedom and choice to select her/his own field of interest. Thus, the perception of an entrepreneurship career as being self-sufficient and beneficial also plays a significant role in the intention of an entrepreneur to start a new venture (Pillis and Reardon, 2007).

The theme 'intention and/or motivation' in this study represents the intent and/or motive of an entrepreneur that stimulates her/him to create either something completely new or bring changes to already existing solutions in order to address a certain want or need in a surrounding environment. Though the literal meaning of the words 'intent[97]' and 'motive[98]' is slightly different but these both words are used interchangeably here to express the aim of an entrepreneur in this study.

As mentioned above, the decision for any entrepreneurial activity is taken deliberately because an entrepreneurial activity requires certain preparation to either realize or awareness to create an opportunity before it is acted upon. The personal traits such as experience, knowledge, etc. along with the social, cultural and political factors might influence the evolution of an intention/motivation of an entrepreneur. The intention could either be beneficial or detrimental to the society (Baumol, 1990). If the outcome of an entrepreneurial activity is productive and adds value to the lives of others in a society then it creates wealth and prosperity for the nation on a wider scale. However, if an entrepreneurial activity is unproductive and the intention of an entrepreneur is to generate wealth only for her/himself or stakeholders then it might prove to be destructive to the society in the long run.

[97] Intent is something that you plan to do or achieve.
[98] Motive is the reason for doing something.

Theme: ***Intention and/or Motivation***
Description: The purpose of an entrepreneur to carry out the process of establishing a new or partial entity.
Theory: 'Entrepreneurial activity is considered to be an intentionally planned behaviour' (Sabah, 2016, p. 87). 'Motivation plays an important part in the creation of new organizations; theories of organizational creation that fail to address this notion are incomplete' (Herron and Sapienza, 1992, p. 49).
Interview Question/s: How the idea of JAFZA was originated? What was the motivation behind the project of JAFZA?
Moving from Findings to Action: How does intent/motive of an entrepreneur regarding any project affects the society? What if, the intent/motive of an entrepreneur is not beneficial to the society? Is there any way to judge the intent/motive of an entrepreneur?

The findings indicated that the institutional entrepreneur 'Sultan' was motivated by the factor that he was working initially in his career at the Jebel Ali port as a customs officer, about which he wasn't very happy. Because he wanted to be at the center of action and Jebel Ali port at that time was stagnant, not providing much business to the Dubai economy. He believed that he could do much better at a place where action was happening, for example, Port Rashid or some other department where he could utilize his skills[99]. In essence, Sultan wanted to prove himself to the ruling family. So, the idea of JAFZA gave him a chance to demonstrate his desirability to do better and to prove his worth to the ruling Maktoum family.

In the book *Dubai: The Making of Megapolis*, the author Pranay Gupte mentions the above case as, *'Sheikh Mohammad ended up hiring him in 1981 to run Jebel Ali port, which had just opened. It wasn't exactly a plum job. The port was all but empty in those days and it was a long drive from town. Sheikh Mohammad could tell Sultan wanted a better job, something at the center of action.'* (Gupte, 201, p. 201)

[99] He joined Jebel Ali port immediately after completing his studies.

The findings further indicated that Dubai did not fare well in oil reserves as compared to its neighboring emirate Abu Dhabi or rest of the Middle East region. The oil reserves of Dubai have been depleting since then. According to a recent report of EIA[100], 96% of UAE's total crude oil reserves (97.8 billion barrels in total) are found in Abu Dhabi with Dubai having a share of approximately only 2 billion barrels (EIA, 2017). It has been reported that Dubai oil deposits are expected to exhaust within the next 20 years (Aleklett's Mix Energy, 2014). So, it was essential for the government of Dubai to diversify the economic portfolio of Dubai in order to sustain financially in the long haul, hence the free zone.

'*People keep sort of relating Dubai Economy to an oil economy and you have to explain that Dubai economy is not based on oil. Perhaps 30/40 years ago it was based on oil [but not now] … Sheikh Rashid bin Saeed Al Maktoum [the ruler of Dubai, r1958-1990] … he understood that oil is not [a] sustainable source of income. And he knew he had all these projects he had to do for Dubai. So, he said that there were lot of strategic projects that were [to be] developed and he reinvested all of the oil money in all of these strategic projects to transform Dubai. The three of which … the most notable ones are Emirates Airlines along with the expansion of Dubai airport, [Dubai world] trade center and Jebel Ali Port.'* (TLE-JFZ-01)

In the next quote, the participant used both the words 'intention' and 'motivation' interchangeably to describe the objective for establishing Jebel Ali free zone, but the participant was referring to the purpose to establish JAFZA in both the instances.

'In this particular case within Dubai, irrespective of how the institutional decision-making process took place, the fact remains that the intention to choose them [projects], to implement them [projects] was motivated by economic factors.' (TM-EZ-04)

Jebel Ali Free Zone was created around the Jebel Ali port in 1985. It was needed to stimulate the business environment because the Jebel Ali port movement was quite slow at that time. JAFZA was one of the projects envisioned by Sheikh Rashid bin Saeed Al Maktoum to create a city, a prosperous Dubai, not dependent on oil. Therefore, the project was born out of necessity and the establishment of free zone next to a port seemed

[100] EIA is an abbreviation for U.S. Energy Information Administration.

to be a logical step to complete the logistics structure.

Sultan says, '*Well Dubai is really unique in a sense that Dubai is [a] free trading city. There was really no need for a free zone. Because basically it is a free trading city, and anyone can set up a business here and so on. And Dubai doesn't have taxes and has no intention [to setup any taxes]. But the reason behind a free zone is that we build a Jebel Ali port and it is a very large port and to generate cargo for the port, we need to complete the setup. And out of necessity, we decided that free zone is a part of that process. Even though I said that Dubai didn't need one [free zone], we hope to attract people [shipping lines and trade] to the port, for the free zone.*' (IE-CEO-00)

In the above quote, Sultan bin Sulayem (IE-CEO-00) meant that even though there are no taxes in Dubai and the implementation of tax exemption in the free zone was not something new (Dubai Creek and Port Rashid) for the people of Dubai but the leadership of Dubai wanted to attract companies to use Jebel Ali as a distribution and transshipment facility and needed a free zone for that purpose.

Sultan further says, '*We need the port to operate; the shipping line will not come if there is no cargo, so we have to bring the company [to the port] to bring the cargo. And as soon as the cargo starts to be stored, distributed, the shipping line will be interested to come and carry the cargo.'* (IE-CEO-00)

Another participant stated*, 'The motivation to start [Jebel Ali Free Zone] was one. We had created [Jebel Ali Port] which was perhaps one of the largest ports at that point in time and the port got delivered at a time where overall the world economy had slowed down and if the world economy slows down, the port movement is affected and impacted. And to overcome [the slow port movement] that with the current infrastructure available [at that time], the government looked at what do I need to do now to start moving my port back and build it back on. And they found this gap [Jebel Ali free zone] so motivation [for JAFZA] always has been to get people to come and trade from here rather than [from] any other neighboring state. That's the biggest motivation, with which the city [Dubai] started. So, they [the leadership of Dubai] have always encouraged the transit trade to flow through Dubai.'* (TLE-JFZ-01)

From the above quotes, it is implied that the free zone was seen as a niche, a strategic decision to fulfill the need of that time, in order to bring economic success to Dubai.

Further, the findings indicated that the foreign companies were reluctant to open up their offices in Dubai, UAE because of the 51% local partner (UAE national) condition for any merchant to open up their business in Dubai and the rest of UAE. So, by virtue of a free zone, the Dubai government was able to bypass the agency law of having a local partner with 51% shares (in the mainland Dubai) that allowed companies to open up their companies in the free zone with full ownership, that is, 100% proprietorship.

As Sultan says*, 'And the law of having 51% local partner was not attractive to businessman.'* (IE-CEO-00)

Another participant shares the same opinion and says, '*The objective was that there were many big multinationals that wanted to come to UAE and to Dubai specifically but then they were not keen of having a local partner whether as a sleeping partner or as a service agent or as a partner, companies for example such as Nestle, Proctor and Gamble and others. They didn't want to be at a mercy of somebody else here and unfortunately some of our organizations had a reputation of being a bit unreasonable, although that's a very stereotype of a statement. That was not true in all cases but somebody had promoted this notion that these locals are very hard to deal with and they are mean and can take advantage of you [if they have 51% shares]... [for example] if a company wants to invest 150 million dollars in a place, they don't want my decisions to being affected by a partner that has nothing to do with their business.'* (TLE-EZW-03)

The companies welcomed the establishment of a free zone 'JAFZA' in Dubai, and the storage and cargo facilities that came with JAFZA. The companies were offered either the already built warehouses or the land if they wanted to build the warehouses and sheds themselves. JAFZA became attractive for the companies, especially for those who wanted to expand and use the location for import/export facilities along with all other incentives offered at JAFZA, by definition of a free zone.

The participants from the companies' sample affirmed that the Jebel Ali free zone did not have the local sponsor condition, so they didn't have to go through any hassle that came with having a local UAE partner/sponsor.

The chairman of one of the very first few companies that got established in 1985 in JAFZA says*, 'We started from India in 1974. We established here [JAFZA] in 1985. And at that time, we were exclusively manufacturing garments so ... we expanded from there,* *we started off very small ... we [were] just here to test the market, to test Dubai, to test the free zone here and it went off very well. [And] The mainland of Dubai we didn't consider only because we would want a local sponsor that would take time and all those things … To find a place, build the factory, build a shed and so all of that ... We thought about it and we were in the free zone in India. So, we had to import a lot of things, export a lot of things that we're not trying to do anything [manufacture] in Dubai, mainland Dubai and so we said ... why not try the free zone.'* (CC-JFZ-09)

He further says*, 'That's [JAFZA] the only place where we can do business peacefully without any local sponsorship, without any restrictions. It's a free zone, I can bring in [import] whatever I want to, I can export whatever I want without any taxes, without any duties and all, we gave it a try and it went off very well.*' (CC-JFZ-09)

Another company's participant (founded in 1992) says*, 'It was established in JAFZA in 1992 but the company started in 1972, I believe. You see when we started; we started as [parent store] in Bahrain. So, like any entity, any business [we] started with one store and expanded to multiple stores. By the 1990s, the growth [of our company] started [and] particularly Dubai started picking up. That's when the owners felt that the Dubai would be a right place to have a base and expand to multiple verticals. They said, the time has come to diversify into different vertical subsidiaries, that's why when actually the headquarters [of our company] moved from Bahrain to Dubai. So, the moment, we came to Dubai, free zone was happening thing at that time. That was the best. We had a mission to expand all across GCC … so that's the reason why we started with [in] Jebel Ali free zone.'* (CC-JFZ-12)

Furthermore, the entire procedure to create a company at JAFZA was more streamlined than the mainland Dubai (other than a local sponsor fact) even in its initial phase and provided complete documentation assistance to their clients. The process was faster, quicker and easy to manage. The below quotes indicate that the companies found it easier to open up their offices in JAFZA than mainland Dubai.

A representative from JAFZA's company founded in 1994 says, *'Because this is a free zone. It's easier to open in a free zone (easy documentation) as compared to outside [mainland Dubai], we don't have local partner and we are the 100% shareholders and lot of other benefits as well. Like tax, if it [is] taxed, it's like 15% withholding tax and* *employment wise too, we can get the employees easily [no restrictions on the employees' nationality/quota] and very fast as well into the company.'* (CC-JFZ-01)

Another JAFZA company's (founded in 1995) participant says, *'Actually because we know that in establishing a company in Dubai, we need a sponsor and there are lot of formalities to do actually, but in free zones the formalities [procedures] are very easy and we do have a better approach to the person [dedicated relationship managers] who's going to take the decision actually. So that was much easier compared to other countries as well and compared to out of free zone in Dubai.'* (CC-JFZ-06)

Another company's (founded in 1999) participant says, *'One of the main things for any foreign investors in particular, [for us] - It was 100% ownership through a free zone sponsored by JAFZA.'* (CC-JFZ-04)

Summary finding: The idea of Jebel Ali Free Zone originated mainly to improve the economy of Dubai. JAFZA came into being out of necessity to overcome Dubai's dependency on oil, as it did not have large oil reserves like its neighboring state (Abu Dhabi) and other Middle East nations. Secondly, a free zone was needed to complete the setup of logistics structure (port and free zone) to stimulate the slow business at Jebel Ali; by bringing shipping lines to the port via attracting companies to establish their business in JAFZA. Thirdly, the companies were reluctant to come to Dubai due to the rule of having a 51% local UAE partner (UAE agency law) in the mainland Dubai. Therefore, JAFZA provided a solution to all of the three above issues by providing large warehouse and storage facilities and omitting the agency law in the free zone boundaries and at the same time, reducing Dubai's dependency on oil.

2. Vision

Vision is considered as a precursor to a successful business venture (Bird and Brush, 2003). A vision is a plan that guides entrepreneur's long journey of creativity (Baum and Locke, 2004). Entrepreneurs create an image in their minds how their venture should look like and use it as a roadmap for achieving their goal. It is usually a far-sighted vision with ideological objectives rather than an immediate image. Entrepreneurs tend to think in innovative and creative ways and spot an opportunity that usually non-entrepreneurs might not be able to do so. This tendency of designing a bold vision usually acts as a guiding force and enables an entrepreneur to attempt to realize it (Chell, 2000), irrespective of the outcome whether the vision ends up being successful or not.

The theme 'vision' indicates the talent or an ability of an entrepreneur to see an image which others might not be able to perceive it. That is, s/he is able to connect the unconnected dots that previously were not explored and come up then with new ideas. Since the literal meaning of a vision is 'to see'; an entrepreneur actually visualizes an opportunity by keeping a keen insight on the future market trends, perceives it in her/his mind and then tries to create it. A vision acts as a driving force behind any entrepreneur's idea that helps her/him to cultivate it into a reality. A vision of an entrepreneur is clear and definite as it leads the business to its expected outcomes and envelope others in its journey. Gradually, it gives birth to norms and values when shared among people and ultimately defines how an organization acts. In summary, an entrepreneur not only just envisions an opportunity but also focuses on it strategically and tactically so it can be persistently pursued to its endpoint.

Theme: ***Vision***
Description: The ability to perceive or create an opportunity
Theory: Vision requires 'clarity of direction from the entrepreneur along with the delineation of roles and the development of reward systems for all those who join the enterprise' (Smilor, 1997, p, 345). Greenberger and Sexton (1987) claimed that the vision of an entrepreneur is a guiding force when they are creating new ventures.
Interview Question/s: How did you envision such a project 'JAFZA'? Or How was JAFZA envisioned? (In-Interview probing)
Moving from Findings to Action: What inspires an entrepreneur to create a vision and strategically execute it? How does an entrepreneur realize an opportunity while others cannot see it? Is it a trait of an entrepreneur that others do not have it? Or the environment in which an entrepreneur is embedded makes him realize the potential of such an opportunity?

The results indicated that the vision is an essential ingredient for an entrepreneur to tap into an opportunity, which a non-entrepreneurial person might not be able to recognize it.

The surroundings or an environment (Jebel Ali port) where Sultan was embedded played an important role in making him perceive and create a vision. The custom officer's job at the Jebel Ali port and know-how of the port environment provided him an opportunity, which he grabbed. It was further indicated that Sultan had a very clear and bold vision with very carefully planned strategic and informed choices that helped in making JAFZA a successful endeavor.

The interesting fact to come out of the findings was, though Sultan was the person who made JAFZA a reality. But the late ruler of Dubai, Sheikh Rashid bin Saeed Al Maktoum was the one who envisioned Jebel Ali first as a free zone in early 70s. Sheikh Rashid envisioned Jebel Ali port along with an industrial town as illustrated in Figure 6.2b. However, only Jebel Ali port was built in 1980 without the industrial town around it. It demonstrates that two people perceived Jebel Ali Free Zone: one (Sheikh Rashid) who envisioned it originally and the one (Sultan) who executed that vision later. It can be argued that there are two levels of visions – one at the leadership level (as Dubai is also known as an entrepreneurial state, argued by Nasra and Dacin, 2010) and the other at the Sultan level.

It implies that it is not necessary that a person who sees or creates a vision in the first place also take the vision to its finishing line. There is a possibility that another individual takes forward the vision and delivers it. In the case of JAFZA, the vision to create a free zone was perceived by Sheikh Rashid bin Saeed Al Maktoum in 1972. And the ruling that was passed in 1980 for the establishment of Jebel Ali port also refer to it as a 'free zone' but the development of the free zone was put on a back burner due to the unrest in the region (explained in detail in Section 6.2.1.3). However, Sultan bin Sulayem saw an opportunity a few years later and decided to give it a go. The people of Dubai though gave credit to Sultan for establishing the free zone but at the same time, they also associate the vision with Sheikh Rashid bin Saeed Al Maktoum. The reason being, Sheikh Rashid originally wished for a Jebel Ali industrial town, but also when Sultan presented his report about the free zone to Sheikh Mohammad bin Rashid Al Maktoum (r2006-till now), Sheikh Rashid bin Saeed Al Maktoum was still the ruler of Dubai and his son Sheikh Maktoum bin Rashid Al Maktoum (Crown Prince of Dubai at the time) actually signed/passed the ruling to create the free zone.

Sheikh Rashid is known as the father of Dubai and a visionary leader who has a number of Dubai projects under his belt. For example, Port Rashid (1972), World Trade Centre (1978), Jebel Ali Port (1979) and Dubai Dry Dock (1983). Sheikh Rashid was aware that Dubai has to look for viable economic alternatives other than oil, as oil reserves in Dubai were scarce and depleting with time. He knew that if he did not invest the oil money well, Dubai would not be able to prosper.

In a book *Scales of Justice: Half century of Dubai Courts* authored by Greame Wilson, Abdullah Darwish, private secretary to Sheikh Zayed, a position which often took him to Dubai's Ruler Majlis, says*, 'Sheikh Rashid confounded everyone around him. His ideas were so far ahead. He was looking at what Dubai would need a few decades on. Some believed that he was building white elephants, projects with ridiculous over-capacity. But he knew what he was doing. While most people were all thinking for now, he was thinking of a generation ahead.'* (Wilson, 2009, p. 201).

In the same book *Scales of Justice: Half century of Dubai Courts* authored by Greame Wilson - Neville Allen, one of Sheikh Rashid's closest European advisors says, '*That he received a call from Sheikh Rashid on one morning before dawn in 1972. He asked him to come to a hillock about 35 kms outside from Dubai city limits. According to Allen, Sheikh Rashid pointed to a shoreline and said, "Down there, I want to build a port." Allen said, "I gave him a rough estimate. Then and there he told me to go ahead with the rough project. He was an exceptionally brilliant man who worked with lightning speed.'*
(Wilson, 2009, p. 204)

A man named Abdullah Saleh (no occupation mentioned), in the book *Scales of Justice: Half century of Dubai Courts*, says, '*Not for the last time, Sheikh Rashid was proven quite right. In fact, if you consider that ultimately Dubai would have had to have additional port facilities, the eventual bill of $1.7 million was miniscule compared with one of perhaps six times that if you attempted to build Jebel Ali today.'* (Wilson, 2009, p. 204)

George Chapman, an expatriate at Grey McKenzie and Co (who was working in Dubai in 1970s) in the book, *Scales of Justice: Half century of Dubai Courts*, says, '*Some questioned Sheikh Rashid's continued sense of vision, ironic, when in fact the lack of vision was on the side of those who remained doubters*.' (Wilson, 2009, p. 204).

Similarly, one of the interview participants (JAZFA management) shared his thoughts about Jebel Ali port and Sheikh Rashid's vision as, *'We are very lucky in terms of our ruler [Sheikh Mohammad bin Rashid Al Maktoum]; his father [Sheikh Rashid bin Saeed Al Maktoum] also was such a visionary person, just taking a decision of building a Jebel Ali port, about more than 50/70 km away from the city. Those days without having proper roads to reach there [from the center of Dubai to Jebel Ali port/free zone], you know, was a vision. One decision is to seeking solutions to the existing problems. And the other one is visions … either seeing experiences [examples] or practices in certain other parts of the world or brainwaves [knowledge] of knowing what are our strengths and what opportunities exist and then coming up with a project. That creates a proper environment, a proper fertile soil for such ideas to be planted and create business opportunities.'* (TLE-EZW-03)

Another JAFZA management participant says*, 'In the 50s, we [the leadership of Dubai] have this vision [of becoming a trading village]. Now we [Dubai Creek] became more of a trading village. More of a trading hub, a little town actually … we go to India, we go to UK. We go to Asia. We trade with everyone and around the region as well so more of trading. And there was another vision to transform Dubai into a trading hub [JAFZA] for the region ... A big trading city ... and that would take some time … until we discover oil in the late 60s. Now the discovery of oil ... that was used as a springboard to reach where we are now.'*

(MM-JFZ-02)

The above quotes reinforce that the vision of making Dubai, a trading hub, was envisioned way before oil was discovered. Because the leadership of Dubai from day one was very entrepreneurial in nature and wanted to create means to generate wealth for the emirate (Dubai) of which JAFZA is just one component of many projects.

All the companies' participants acknowledge that though Sultan was the first point of contact at JAFZA in those early days but at the same time, the ruling family of Dubai has a strong vision and it has been carried forward from generation to generation.

One of the company's (founded in 1985) representative says, *'Because the vision of our ruler is very strong … and if [there was] no free zone, they probably would have done* *something else. People were coming here for two reasons: tax- free, ease to do business, security and world-class infrastructure.'* (CC-JFZ-09)

Moreover, the ruling family of Dubai seems to possess a talent to be far sighted and have always come up with projects that later materialized into very successful endeavors.

Another company's (founded in 1999) participant says*, 'I think it's the vision of the leaders of this country particularly ... and specifically of leaders of Dubai from Sheikh Rashid [r1958-1990] to Sheikh Maktoum [r1990-2006] and Sheikh Mohammad [r2006-till date]. These visions are [of] many years ahead. I met many clients in the Gulf who used to come to Dubai when Dubai was still small. And they have been friends of the ruling family. Sheikh Rashid - out of love, he used to offer them to take some property [around in Dubai] ... And one of them [friends of ruling family], he was in Kuwait ... a very rich guy ... he told me that 20 years or 25 years back, he came to visit [Dubai]. And Sheikh Rashid offered him a piece of land near the trade center. He said why are you throwing me out of Dubai. What do I need [this for]? Then he said, I disappeared [he went away]. He went away for two years and then he [Sheik Rashid] offered him a piece of land in Jebel Ali. That guy said ... what already that area [trade center] was full. They [the leadership of Dubai] have a really great vision of seeing things and planning for something and do it which unfortunately we [others as in non-entrepreneurial mind set people] lack these.'* (CC-JFZ-04)

He further says*, 'And recently you've seen Sheikh Mohammad vision for 2070 something so that's something which is very encouraging.'* (CC-JFZ-04).

The above quotes indicate that Sheikh Rashid envisioned JAFZA first when he proposed the Jebel Ali port in 1972. But the project didn't materialize due to the Iran-Iraq war. However, Sultan was the one to bring out the report about free zone in the open again and implement it. Sultan was drawn to the idea when a random visitor to his office suggested a free zone next to Jebel Ali port. It was with his efforts that Jebel Ali free zone became a reality. Because his drive to do better and prove himself to the ruling family made him go around the world to look for port solutions and aspired him to take the plunge. Though it was an informed decision based on the information he gathered from visiting those ports but still it was a gamble like any new venture for any entrepreneur.

Sultan envisioned for the port activity at Jebel Ali port to flourish with the free zone. The main objective was to improve the economy of Dubai by making Jebel Ali a transshipment hub like Dubai Creek and Port Rashid. And Sultan was able to accomplish it. Though it took time but JAFZA was able attract 500 companies in the first decade and obtained an ISO certification in 1996, which opened up the road to success. With further continuous developments, today JAFZA hosts more than 7000 companies and contributes around 21% to Dubai's total GDP.

Summary finding: The participants acknowledge and give credit to Sultan bin Sulayem for establishing and developing the Jebel Ali Free Zone concept as he was the one who made JAFZA happen and took charge when it was first established in 1985. But at the same time, the participants also associate this vision to be a part of big vision seen by Sheikh Rashid bin Saeed Al Maktoum whom they call as a visionary leader. The participants consider the whole ruling family as visionary and far-sighted as they believe that their leaders from Al Maktoum family have carried forward the tradition of being go-getter and innovative, in terms of improving life standard and creating wealth for the emirate (Dubai).

3. Environment

The environment can provide legitimacy to new ventures when they are located in the proximity of established organizations with similar norms, values, scripts and models. It grants credibility to new ventures if such new ventures select an environment that already host similar businesses (Scott, 1995). For example, Silicon Valley is a symbol of tech firms where most of the successful tech firms are clustered. So, any new tech firm in Silicon Valley gains legitimacy by virtue of being in that setting. Klapper, Lewin and Delgado (2011) argue that efficient business procedures, regulations and better governance result in higher entrepreneurial activity. Hence, new ventures need to carefully select the context by taking social, political and cultural factors into consideration, as selecting a favorable environment can be an effective strategy for a new venture to survive and grow.

The theme 'environment' denotes the importance of the setting in the success or failure of an entrepreneurial project. The word 'environment' also encompasses the word 'location' in this study so both the words are used interchangeably here. The work 'location' refers to the geographical location of a business and the word 'environment' refers to the social, cultural and political factors impacting a business. The environment and/or location play an important role especially in any nascent entrepreneur's decision as it might provide an opportunity that could be tapped into.

The location can have a direct impact on business in terms of its operations costs, attracting customers and revenues. In addition, the availability of resources and the supporting industries in a business's proximity can add advantage to it. Hence, the best location for a business would be where the costs could be minimized, and income could be maximized. Similarly, the business environment might factor in in any entrepreneurial venture's success or failure since the cultural, political and social factors can either make or break a business. The fiscal policies, rules and regulations, the attitude and purchasing power of the people in the business location can determine the direction of the business (success/failure).

Theme: ***Environment***
Description: The advantage of a geographical location and/or a particular specialized market setting in the success of an entrepreneurial venture.
Theory: Selection, a legitimation strategy, is being situated in a favourable environment (Scott, 1995). **'**Locating in an area where there are organizations that address similar scripts, rules, norms, values and models may provide a new venture with legitimacy' (Zimmerman and Zeitz, 2002, p. 423).
Interview Question/s: What was the motivation behind the project of JAFZA? How do you think the geographical location in the Persian Gulf helped JAFZA? (In-Interview probing)
Moving from Findings to Action: Does a strategic location/environment help an entrepreneurial venture in its success? If yes, how? Would it have been possible for JAFZA to become successful if it did not have the geographical location advantage?

The results indicated that one of the most important reasons to establish the free zone was its proximity to the port. The business at Jebel Ali port was slow so a free zone was created to lure the companies and the shipping lines to the port. The idea was to create a free zone where goods could be imported/re-exported and consumed without any custom duties. So, by bringing free zone into the picture, Dubai was building a favorable environment for commerce and trade.

During the same time, trade patterns were changing where bulk carriers and large shipping vessels were being exchanged for huge containers, an era of JIT deliveries. The shipping lines were reluctant to leave their containers behind and wanted to unload and load the next consignment ready to be taken to the next location. But Port Rashid did not have facilities or the space for expansion to cater to big cargo ships. It was realized that Dubai would need a specialized facility to handle huge container ships. That's where Jebel Ali port came into the picture, as it was a huge harbour with facilities to handle large container ships. It definitely served as a convincing point for the shipping lines to use Jebel Ali port. And an offer to transport goods from Port Rashid to Jebel Ali port via a free truck fleet service made local merchants use Jebel Ali port who had claimed earlier that Jebel Ali port is quite far away from the centre of Dubai and their warehouses at Port Rashid.

Additionally, the Jebel Ali port provided a strategic sea transportation route between East and West for trade and commerce. Therefore, adding a free zone to the port produced a two-fold advantage where the port and free zone complemented each other. The free zone attracted companies to the Jebel Ali area that in return, made the shipping lines come to the port as it serves as a hub where the cargo is loaded/unloaded and stored/distributed.

The strategic location advantage of Jebel Ali cannot be denied since it played an important role in attracting merchants, beside the relaxed tax polices provided by the government of Dubai. Sultan mentions the geographical importance of Dubai in an interview to TBY, '*Our geographical advantage is complemented by a determination to innovate to meet the present and future needs of our customers'*. (The Business Year, 2015)

Sultan bin Sulayem said, *'We build a Jebel Ali port and it is a very large port and to generate* *cargo for the port, we need to complete the set up [with a free zone]. At the same time, we had infrastructure [at the Jebel Ali port] ready so the part of the supply chain is to have logistics, so logistics is very important … [But] We need the port to operate; the shipping line will not come [to Jebel Ali port] if there is no cargo so we have to bring the company to bring the cargo.'* (IE-CEO-00)

Another source mentions, *'Jebel Ali [port/free zone] is inclined to benefit from its strategic location, mid-way between Europe and the Far East, and from the reputation of Dubai as a commercial centre for the entire area.'* (Meyer-Reumann, 1991, p. 68)

'Dubai's true role at the heart of GCC is as a major manufacturing and services centre, building on its strategic position between west and east and proximity to growing markets.' (MEED Sponsored Report, 1989a)

The next quote though talks about the strategic location of Port Rashid but both Port Rashid and Jebel Ali are situated along the Persian Coast linking East and West. Jebel Ali port was built to complement the Port Rashid business activities along the same coastline. Jebel Ali is around 35 kms far from the Dubai city limits whereas Port Rashid is in the centre of Dubai next to Dubai Creek where the first settlers arrived.

In a report sponsored by MEED[101] about *Dubai: Heartbeat of the Gulf*, it is mentioned, *'The hub of transportation network that extends from Suez to Srilanka, grouping consignments to the Middle East, Africa and sub-continent via Port Rashid makes sense … Certainly, central stockholding and distribution helps you to react faster and more efficiently when speed and dependability can make the vital difference.'* (MEED Sponsored Report, 1989b).

Taking environment as a business setting, the findings also implied that one of the reasons JAFZA did not do well in its early years was due to unrest in region caused by Iraq-Iran war. As the Iran-Iraq war came to an end in 1988, the business atmosphere became better. When the war ended, JAFZA had 220 companies at the time, however, the number of companies rose to 1000 by 1995 as the conditions in that region became better.

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[101] MEED is a media brand that delivers business intelligence and market reports on the Middle East economies and activities since 1957.

Sultan says*, 'I came upon this study … the decree of the establishment of Jebel Ali Free Zone, …no one else … why nobody implemented it. They said … nobody implemented it because there was a war between Iran and Iraq and the government felt that the time is not right.'* (IE-CEO-00)

In another article, *Jebel Ali – Triumph against the odds* in the MEED report, Sultan bin Sulayem says, '*The port was built to relieve port congestion in the Gulf but by the time, it was ready congestion has already disappeared. 1979 was also the year oil prices peaked and 12 months later, the Iran-Iraq war broke out.'* (MEED Sponsored Report, 1989c).

The article, *New Mood of Confidence lifts Dubai,* in a MEED report mentions, *'The big news of the day, however, an event that was to change the political atmosphere decisively for the better was the ceasefire in the Gulf war. Not that Dubai or the other six emirates of UAE had ever become embroiled in the eight-year conflict between Iran and Iraq. But the shadow of doubt hanging over the region had dented confidence, as well as, holding back the ambitious plans for development espoused by leaders of business and commerce in Dubai.'* (MEED Sponsored Report, 1989a).

'Started in 1976 Jebel Ali opened 10 years ago but for most of its formative years Jebel Ali has sold itself to the world with the Gulf war as an unwelcome background factor. Says Jebel Ali Free Zone Authority Chairman Sultan bin Sulayem, it was difficult for us to get the larger companies, where board approved for an investment was required to commit themselves or think seriously about Jebel Ali. Whenever anyone looked at the map, they said, it's in the middle of war zone.' (MEED Sponsored Report, 1989a).

In a MEED report sponsored by Dubai, Sultan bin Sulayem says*, 'One of the most impressive things has been what's happened since the ceasefire (on 20 Aug, 1988). Many projects shelved because of the war are now coming back to life. There has been a tremendous increase in the number of firms wanting to sue Jebel Ali as a distribution point.'* (MEED Sponsored Report, 1989c).

David Howells, CEO of Dubai's oldest bank*, British Bank of the Middle East (BBME)* says*, 'The official end of war is what is affecting the international perception of this part of the world. Nobody is going to feel very confident about a region in which a major* *conflict is taking place. It is good to see that people are coming here to do business rather than journalists to write reports.'* (MEED Sponsored Report, 1989d).

Moreover, JAFZA sold itself as providing a business context or an environment with efficient management and painless procedures to ease the process of creating a company there. It is mentioned in the MEED report*, 'Because we are an entreprot, there's a minimum of red tape and no fuss in clearing goods – in – out.'* (*MEED Sponsored Report, 1989b).*

The participant companies also commented about the minimum fuss and red tape when creating a company in JAFZA and dealing with the JAFZA management.

A representative from JAFZA's company founded in 1994, referring to ease of doing business, says, *'Because this is a free zone … very fast as well into the company (See pg. 238).'* (CC-JFZ-01)

Another JAFZA company's (founded in 1995) participant remarked on JAFZA's easy procedures as, *'Actually because we know that in establishing a company in Dubai … out of free zone in Dubai (See pg.239).'* (CC-JFZ-06)

Furthermore, the companies were attracted to the location of Jebel Ali free zone as it provided a strategic route and hub to deal with the rest of the region for import and re-export of the goods.

A representative from one of the very big Japanese multinationals established in 1997 in JAFZA says, *'The main purpose of this establishment [our company in 1998] over here in Jebel Ali is redistribution export. When we say distribution exports, it's almost we are redistributing [to] 85 countries from Jebel Ali … and our distributors are also here in this region. So, it's easy for communications wise, geographically wise. That is a big advantage for having an office over here.'* (CC-JFZ-11)

The representative from another company of JAFZA's established in 2000 says, *'Jebel Ali is the main hub so most of the transshipments happen from here and taking most of the material, raw materials go from UAE to most of the countries due to the infrastructure [available at Jebel Ali – connectivity between air/sea/land], which is very* *easy. It's easy to clear and reship and all, see it's much easier than other locations in the region.'*

(CC-JFZ-10)

The representative from one of the biggest groups established in 2002 in Dubai says, *'We started in 2002 in JAFZA … we started looking into JAFZA, things became very easy to re-export. It made life easier, bring[ing] in the materials here and then send it out to other countries. So, for the purpose of re-export [as a transshipment and distribution facility], it was very easy.'* (CC-JFZ-02)

Summary finding: The geographical location of Jebel Ali Free Zone in close proximity of Jebel Ali port played a significant role in the success of JAFZA. The environment became favourable to the companies once the war ended between Iran and Iraq. The facilities provided at Jebel Ali port to handle large container ships in the era of JIT is also a fact that made Jebel Ali free zone favourable to companies. It also provided a transhipment and distribution facility between East and West at a very strategic location. Furthermore, JAFZA had quite simple and uncomplicated procedures for doing business as compared to the mainland Dubai (along with no sponsor constraint) so the companies were attracted to establish their business in the free zone rather than the mainland Dubai.

4. Social Position

Battilana (2006) argues that the social position of an entrepreneur can be an enabling factor in the case of an institutional entrepreneurship as such entrepreneurs are able to alter the structural context in which they are embedded. The act of bringing change to an existing arrangement depends on the interest of an entrepreneur and his ability to acquire resources due to her/his social position in the field. Such embedded actors are more perceptive of any opportunities of their respective fields. Dorado (2005) also claims that the position of an actor in social networks define the people they know and affects their perception of the field. It infers; the direct and indirect ties can have an impact on how resources can be acquired. As '*Nascent entrepreneurs' personal networks – the set of persons to whom they are directly linked – affect their access to social, emotional, and material support'* (Aldrich and Reuf, 2006, p. 68). It implies that the social position of an actor gives her/him an access to people and the resources required for the project.

The social position of an actor gives her/him access to networks that might help her/him in getting acceptance and approval from the stakeholders. It also enables her/him to acquire critical resources for her/his project, which s/he might not be able to get without such a network. *'Entrepreneurs' networks serve, as a principal means of identifying and acquiring needed resources'* (Sullivan and Ford, 2014, 551) because related industry contacts and alliances matter and help in providing credibility to an entrepreneur.

The theme 'social position', in this study, refers to the social status of an institutional entrepreneur in a society that enables him to get access to the resources needed for a venture. The social position of an institutional entrepreneur also influences her/his perception of the field or a setting and may shape her/his actions where s/he intends to bring change. An entrepreneur due to her/his social position is able to get the inside insights of the field that might help her/him in finding out an institutional void so s/he can break away the traditional norms and patterns and bring change.

The social position might either refer to the social standing based on her/his family connections or it might refer to a high-level executive position in an organization that gives her/him certain privileges. By virtue of the social position, it gives her/him access to the social networks or the people that might oblige him in fulfilling and accepting her/his idea and makes the access to resources slightly easier. These networks can either be formal or informal helping her/him in collaboration and alliance. The networks can also be served as critical audience providing him feedback on his ideas.

Theme: ***Social Position***
Description: The advantage/s of being a significant person in a society or an organization, in terms of access to networks for getting the acceptance and resources for a project from the stakeholders (internal/external).
Theory: A social position of an institutional entrepreneur is considered to be an enabling condition to bring change to an institutional structure (Battilana, 2006). A social position of an actor determines who he knows or not, which in turn influences his perception of a field (Lockett et al., 2014). 'Entrepreneurs' networks serve, as a principal means of identifying and acquiring needed resources.' (Sullivan and Ford, 2014, p.551).
Interview Question/s: N/A
Moving from Findings to Action: How a social position of an institutional entrepreneur helps in getting access to higher authorities and hence, the approval? How easier it makes to get resources for the project? And what forms of networks does an entrepreneur have due to his social position? And how having a network affects entrepreneur's position to acquire resources for the project and bypass the high bureaucratic barriers?

The findings implied that the social position of the key actor 'Sultan' in the JAFZA project helped him get access to Sheikh Mohammad (the present ruler of the emirate – Dubai), even though when he was working just as a regular custom internee at Jebel Ali port. This special privilege was bestowed upon him due to his family connections with the ruling family, as his father used to work as a key advisor to the ruler of Dubai – Sheikh Rashid bin Saeed Al Maktoum. Sultan used to go to Sheikh Rashid's Majlis as a young kid and had direct contact with Sheikh Rashid and the rest of the ruling family. By virtue of being in an elite circle, he was familiar with Sheikh Mohammad.

When Sultan came back from U.S after completing his studies, Sheikh Mohammad (who was the Defence Minister and managing the Dubai's oil profile at that time) wanted him to work at the Jebel Ali port. Therefore, Sultan had an easy access due to his social position in the Dubai society. He was able to go and talk to Sheikh Mohammad and report his findings about the free zone project. Sultan was given the privilege to run the free zone project and later he also served as one of the key advisors to the present ruler of Dubai – Sheikh Mohammad. He has held many prominent positions in various government entities in his entire career. For example, Sultan is still acting as the group chairman of the JAFZA authority till date (though he was taken down form this position in 2007 but has been reinstated since 2016).

Various sources share the same information about Sultan bin Sulayem having a connection with the ruling family. All the resources point to the fact that Sultan knew Sheikh Mohammad because of his social position in the society as his father was an advisor to Sheikh's Mohammad father, Sheikh Rashid bin Saeed Al Maktoum.

'Sultan bin Sulayem is said to have a 'connection' with the ruling family but is not directly related to them.' (The Guardian, 2006)

The author Kristian Ulrichsen in his book *The United Arab Emirates: Power, Politics and Policy-Making* says, **'***Sultan bin Sulayem was a child-hood friend of Dubai Ruler, Sheikh Muhammad bin Rashid Al Maktoum while bin Sulayem's father had been the leading advisor to Sheikh Muhammad's father, Sheikh Rashid, who ruled Dubai from 1958 and 1990*.'

(Ulrichsen, 2016, p. 31)

The author Pranay Gupte in the book *Dubai: The Making of Megapolis* says, *'Another major player on Sheikh Mohammad's team has been Sultan bin Sulayem … Sheikh Mohammad has known him since they were children. His father used to bring used to bring Sultan to Sheikh Rashid's Majlis, and Sheikh Mohammad remembers greeting him there from time to time … Sheikh Mohammad got to know him better some years later when he returned to Dubai after graduating from Temple University in Philadelphia. They lunched a few times and Sheikh Mohammad ended up hiring him in 1981 to run Jebel Ali port ...* '

(Gupte, 2011, p. 200)

The quotes below refer to Sulayem's family being involved in business activities that further elevated the status of Sultan, since merchants used to be significant part of Sheikh Rashid's Majlis and many of them acted as his advisor in his reign.

'The Sulayem family has been one of Dubai's most prominent business and political families since at least the early 20th century. Ahmed bin Sulayem's father was a key advisor to Dubai's ruling Maktoum family.' (Revolvy, n.d.)

'Mr bin Sulayem's family has had a long relationship with the ruling Maktoum family. He himself was a childhood friend of Dubai ruler Sheikh Mohammed bin Rashid al-Maktoum, and his father was also the leading adviser to the sheikh's father, Sheikh Rashid, who transformed the city into the region's trade hub.' (Kerr, 2010)

The social position of the family provided him an opportunity to be close to Sheikh Mohammad that led him further to different occupations he has held in his career. He has served as an advisor to Sheikh Mohammad. He also serves as the Chairman of Port and Free Zone World FZE. He is also on the Board of the Executive Economic Council as well as the Dubai Chamber of Commerce and Industry among other critical posts.

'The company chairman, Sultan bin Sulayem, has been close to Dubai's ruling Al-Maktoum family and he had served on the board of the government's Investment Corporation of Dubai, which often led analysts to predict government help would be available if his businesses ever ran into trouble.' (The Arab American News, 2009)

Sultan was made the chairman of JAFZA when the free zone project started. The complete of control of JAFZA given to Sultan at such a young age shows that there was some connection and trust factor at play between Sheikh Mohammed and Sultan that allowed Sheikh Mohammad to appoint Sultan as the chairman of JAFZA and was given full power to run it.

The above quotes show that Sultan was part of Sheikh Mohammad's network, which he had acquired socially and professionally. Though it was not stated explicitly in the interviews, but it was implied from Sultan's statement where he mentions that he went to meet the leadership of Dubai, referring to Sheikh Mohammad (the present ruler of Dubai). Because even though Sheikh Rashid bin Saeed Al Maktoum has a tradition of

Majlis where people can come and talk about their concerns but not everyone have access to these Majlises. The ones with a social status were privileged to get the chance to go and meet the royal family.

Sultan says*, 'I went to my boss and he wasn't encouraged. He was a bit worried that this project might not work. So, he said … If you want, go to the government but I (Sultan's boss) am a bit worried … that I don't fully agree. (*IE-CEO-00)

It clearly shows that Sultan's boss also knew that Sultan had an easy access to Sheikh Mohammad. In other words, Sultan knew Sheikh Mohammad at a personal level due to which he was able to contact him. Additionally, Sultan would not have got the true facts when he asked around in his network about the reason for JAFZA not being established in 1980. He was able to illicit information because he was a part of that elite network.

Sultan says, *'And during my research as basically a [customs] trainee, I came upon this study [about Jebel Ali port and free zone] … the decree of the establishment of Jebel Ali Free Zone, … no one else … why nobody [the government] implemented it. They [the people in his network] said … nobody implemented it because there was a war between Iran and Iraq and the government felt that the time is not right.'* (IE-CEO-00)

It shows that the social position gave him access to the network from where he accessed the information and facts about the (un-established) free zone project. These quotes show that Sultan was close to Sheikh Mohammad indicating direct access to him. And such a direct connection helped Sultan to convince Sheikh Mohammad about his project.

The author Pranay Gupte in his book *Dubai: The Making of Megapolis*, says*, 'Sultan says, there is no pressure, actually. Once His Highness gives you a green light, he considers that the project is going to be done and – that's that.'* (Gupte, 2011, p. 202)

The above quote suggests that Sheikh Mohammad was the sole authority in approving for any project so a direct association with such a stakeholder would give an entrepreneur most probably an approval for her/his project, provided the entrepreneur has good relations with him.

One the JAFZA company's (founded in 1985) participant says, *'His highness Sheikh Muhammad has given him [Sultan] the full power to do whatever he wants, just build up* *the free zone. So, he was taking decisions very fast. I'm sure he had a mandate from his Highness ...*' (CC-JFZ-09)

Moreover, the below mentioned quote also suggests a connection of Sultan to Sheikh Mohammad, implying about his social position in the elite circle of Dubai. The element of humor in Sheikh Mohammad's conversation about JAFZA with the participant (JAFZA company) tells us that Sheikh Mohammad had a friendly relationship with Sultan.

One of the company's (founded in 1985) representative says, *'Once Sultan brought Sheikh Mohammad to my stand in the JAFZA exhibition. And at that time, there were some complaints about JAFZA. So, he [Sheikh Mohammad] asked me ... Are you happy? I said yes that's the reason I have got 3 companies here. He said, are you sure ... I said, yes 100%. He said, are you telling me because Sultan is next to me ... I said No ... if I was unhappy, I definitely would have told you I am unhappy.'* (CC-JFZ-09)

Summary finding: It was easier for Sultan to get information from the people (networks) he knew about why the project of free zone did not get built at the time. One might not get the real facts about any government project if s/he either is not part of the network or if the social position does not entitle her/him that information. The social position of Sultan enabled him to approach and meet Sheikh Mohammad and present his findings. Additionally, the familiarity between Sultan and Sheikh Mohammad also played a role in convincing Sheikh Mohammad of the feasibility of the project because Sheikh Mohammad knew Sultan and his from childhood days and trusted Sultan enough to give him the free reign of the JAFZA project.

5. Trust

Trust is an element that is built upon the previous knowledge about the partner/individual (Höhmann and Welter, 2004). It could result from either a personal connection with that person or a professional connection that allows others to make judgements about her/him. Trust is believed to a significant element in network relations (Anderson, Park and Jack, 2007), especially for long-term ties because a relationship in any kind of network cannot hold if there is no trust (Anderson and Jack, 2002). Moreover, social position or networks are an enabling factor for an entrepreneurial activity for creating legitimacy and credibility, so it directly corresponds with trust. It implies, lack of legitimacy is equivalent to lack of trust because new ventures need their clients and consumers to trust them in order to survive and grow. Aldrich (2000) claims that successful entrepreneurs are able to build trust within their networks and clients that translates ultimately into legitimacy for them and hence, assists them to flourish.

The theme 'trust' in this study represents the faith that the government (Sheikh Mohammad) had in Sultan as an institutional entrepreneur and the faith that people had in the leadership of Dubai. The property of trust holds great importance for new entrepreneurial ventures since it makes stakeholders believe in such ventures that leads to access to the resources needed for the project. The stakeholders usually take a leap of faith on novice entrepreneur's skills and capabilities that s/he demonstrates when pitching her/his idea. If any of the stakeholders know an entrepreneur from before and have an idea about her/his abilities, skills and personality then it becomes easier for the stakeholders to make a judgement. And later if a novice entrepreneur proves what he promised in her/his pitch then s/he gains ultimate trust of the stakeholders. However, for second-time entrepreneurs (if they were successful in their first venture), it is slightly easier than the first-timer entrepreneurs to get stakeholders to trust them because successful entrepreneurs gained trust with their first success.

Theme: ***Trust***
Description: The property of trust and/or loyalty factoring in gaining the approval of stakeholders.
Theory: 'Trust builds on initial knowledge about the partner. Personal trust may depend on the characteristics of a group such as an ethnic group or kinship, but it also occurs in bilateral (business) relationships, often-longstanding ones, where persons have come to know each other' (Höhmann and Welter, 2004, p. 6). Trust plays an important role in network relations (Anderson, Park and Jack, 2007).
Interview Question/s: How would you define trust in your context, in relation to the government? How was your experience with Sultan? (In-Interview Probing)
Moving from Findings to Action: How does trust factor relate to the success or failure of an entrepreneurial venture? How does it affect an entrepreneur's popularity factor if people's trust is shaken?

The findings suggested that trust[102] played a great role in creating and launching the project of JAFZA. Sheikh Muhammad believed in Sultan to an extent that he listened to his idea and trusted him to be projecting a productive entrepreneurial pitch. Sheikh Mohammad was willing to trust Sultan even when he got resistance from the merchant community in pursuing the project. The merchants were hesitant because they thought free zone would bring competition robbing them of their businesses. But Sheikh Mohammad had confidence in Sultan's idea even when the advisors from around the world regarded JAFZA to be not viable idea because they thought that Dubai did not need such a large port and that too outside the Dubai city limits. It indicated that the Sheikh Mohammad had great belief in Sultan's abilities as Sheikh Mohammad appointed him Sultan as the CEO of JAFXZA, considering Sultan's age at that time and JAFZA being a one of the huge projects of Dubai.

It seems to be a two-way road where Sheikh Mohammad trusted Sultan, and his skills and

[102] The participants keep using words like transparency, perception and loyalty along with the word trust, but these all words were stated with reference to trust.

abilities to carry off the project smoothly. And Sultan also trusted Sheikh Mohammad in a way that Sheikh Mohammad will give him a fair chance to explain his idea. In instances, where both the trustor and trustee have confidence on each other, the results are usually productive like JAFZA.

Sultan refers to Sheikh Mohammad listening to his idea as, *'They were interested. Very interested.'* (IE-CEO-00).

In an interview to Fortune Magazine, Sultans says*, 'If you really believe in it [JAFZA], you go run it. Bin Sulayem said Sheikh Mohammed told him. I was 30'.* (Gimbel, 2008)

Sultan required the approval of stakeholders in order to get resources and to start the venture. And Sheikh Mohammad giving his approval for the project and making Sultan the CEO implies that he trusted Sultan's abilities to bring JAFZA project to completion and run it successfully, as indicated by the quotes above.

A project also requires a stamp of approval from the society when it is rolled out in the market. This element of trust was no doubt a big part of Dubai's tribal life that is carried forward from Dubai's pre-federation days. The people of Dubai trusted their leadership because it did deliver with projects like Dubai Creek, Dry Docks, Dubai Creek, and Dubai World Trade Centre. The people's trust would have been shattered if the leadership of Dubai had failed to deliver or shown any negligence towards their people. Fortunately, this was not the case in Dubai. The success of these projects made people trust in the government and accept JAFZA as one of the next endeavors of the government.

The quotes below are from both the samples[103] because the participants from JAFZA management sample though taken as government officials in this study, are also a part of the wider society. Hence, their quotes reflect the trust that society has in its leadership.

One of the JAFZA management participant referring to the success in Dubai says*, 'So our father's generation, our grandparents' generations, my generation and may be the generation after us, they have seen it. They have the trust why because they have seen the change. They have seen change Dubai from nothing into something, something you hear in movies, a place where people want to go and live, work, do business or visit on*

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[103] JAFZA management officials and JAFZA companies.

holiday. So, we have seen how Dubai changed. Maybe it might be difficult for the next generation for them because they didn't see this change. Definitely for our generations, the trust factor is there … Its not only the trust factor but we know what we have to do. Everyone knows their role. What you have to do and the role you have to play. Because its ingrained in us that I want to play a role in developing my country. So, it's not only trust in leadership but trust in everyone else as well. Everyone else knows what they have to do. Everyone else has to play their role in the development else how can we be proud of it if we didn't play a role in it.' (MM-JFZ-02)

The people of Dubai see Sheikh Rashid as the one to envision JAFZA first. Sheikh Rashid is known as the father of Dubai as he brought massive financial success to Dubai during his time. So, they unconsciously start relating trust with Sheikh Rashid and eventually the current leadership when they were probed about it. The above quote also implies that they believe in the JAFZA project because the government previously had produced successful projects.

The next quote though makes a statement about JAFZA's current status but JAFZA was able to attract 19 companies in its first year even when the Jebel Ali business activity was slow in the beginning. The number of companies rose to 500 in its first decade. JAFZA obtained its ISO certification in the year 1996 that sent a signal to the world out there that it is a lucrative business environment.

Another JAFZA management participant's says in regard to the trust and its perception, *'I can talk about the perception about how they perceive us. We do a survey, which is known as a society survey. Under the society survey, we go brand perception study of JAFZA. If you can extrapolate it to the government of Dubai, that would be a different matter. But I wouldn't want to talk about the government of Dubai … So, it's fitting it to JAFZA's promise what does the survey revealed. And we have delivered way above the expectations. …. Within the free zones perspective, I can tell you that the society survey rates us very high on the perception and I would also like to add that we also run [a survey] what is known as the contribution to the economy. We contribute 21% to GDP of Dubai so obviously we have a significant play in the economic sphere.'* (TLE-JFZ-01)

The above two quotes mention trust and perception regarding JAFZA that it has delivered what was promised to the clients so that's why people perceive the leadership so highly.

And the mention of JAFZA contributing 21% to Dubai's economy implies that people might not believe in a non-tangible statement but a tangible fact (21% contribution to Dubai's economy) speaks for itself.

The JAFZA management participant in the next quote equates transparency with trust. He implies that the people of Dubai trust the government because everything is out in the open. There are no inside caveats as government holds talk with the relevant people before taking any formal decisions for any project, so it doesn't come as a surprise to anyone when people hear news about any new ventures.

'It's the transparency. It is the building block [of legitimacy]. We [the leadership of Dubai] don't surprise anyone. There are no surprises. We don't go and tomorrow announcing a policy or an initiative that people say that where did that come from.' (TM-DED-04)

The quotes below from the companies' participants sample indicate that they trust both Sultan and the leadership of Dubai and their projects.

The representative from one of the very first few companies (founded in 1985) says, *'You know, at that time Sultan himself was handling the free zone, he was the boss of free zone [JAFZA]. His highness Sheikh Mohammad has given him the full power to do whatever he wants, just build up the free zone. So, he was taking decisions very fast. I'm sure he [Sultan] had a mandate from his Highness [Sheikh Mohammad] …* '(CC-JFZ-09)

He further says*, 'He [Sheikh Mohammad] is a gem of a person. He respects people, even the common people he respects. He's very tough. You obey the law you do your business he will not interfere, he doesn't bother what is happening … he'll encourage you. But if you do something wrong. It's very difficult [the consequences if you bypass the law] ... very professional man … He is a technically a businessman.'* (CC-JFZ-09)

In another instance, he says*, 'And in this generation he [Sheikh Mohammad] has been the best, I think. With his father built a free zone; he's built a few things ... Like mostly the infrastructure, initial infrastructure. But he did a lot of infrastructure, plus a lot of education [another free zone] … A lot of healthcare [another free zone] … he built the healthcare city … so the people don't have to run overseas or to India [the participant* *was from India]. People can't afford this to go to America or to other places, which is expensive, troublesome, now u can get all the [complete health care system] healthcare here in Dubai*.' (CC-JFZ-09)

The above quote sheds light on the level of trust on the leadership of Dubai even when the participant is not a local national of Dubai, he clearly trusts Sheikh Mohammad's decisions and his aptitude to understand the business environment.

He further says*, 'Once Sultan brought Sheikh to my stand in the JAFZA exhibition. And at that time, there were some complaints about JAFZA. So, he asked me, are you happy? I said yes that's the reason I have got 3 companies here.'*

(CC-JFZ-09)

The participant shows trust in JAFZA and business environment by saying that he has three companies in JAFZA. The success from his first company made him establish other companies in JAFZA. The success of a company in JAFZA translates into trust in JAFZA and ultimately in the government, as JAFZA is a government entity.

One of the company's (founded in 1985) representative says, *'We won't move from here. We are really committed to this free zone. And as I told you we've been expanding every single year. We are very happy here. My two kids were born here ... they use to come to the factory to play and all … They have grown up with this culture ... my daughter she has got a factory now in Jebel Ali and my son he has got a factory in Jebel Ali and now he has now got [further] into restaurants and all, he's got a restaurant in Jebel Ali. So, the family has been here. I don't think that we are going to move.*'

(CC-JFZ-09)

The above quote shows that the trust in business environment of Dubai and particularly JAFZA rates much higher with this participant as the participant's family established their companies in Jebel Ali too.

The quote below by one of the JAFZA's company participant mentions trust by giving examples of big companies moving their headquarters and opening their regional offices in Dubai. According to him, if there were no trust, it would not have been possible especially in these times when everything is transparent. The stability in the business environment and entrepreneurial mind-set of the government of Dubai made the big multinationals companies move to Dubai.

The representative from one of JAFZA's company established in 2000 says, *'I don't think this is a democratic stream of government in these regions [Dubai]. But I don't think there will be mistrust … because the whole world is watching [print and online media] for one reason and now if you take UAE, UAE is a part of the ... is doing well with the UN [United Nations]. ICC [International Cricket Council] moved here and so many of the main head offices are moving … and you can imagine, the ICC to move here … So, if the people were willing to move the head offices here, I don't think we should have any problems. The head office [of ICC] was in Lords; it was in England, now they moved here [to Dubai]. So yeah that [trust on the government] is true. So, I don't think, we [the participant was referring to himself] being small people [from underdeveloped countries], the people will just invest in the country if they are not confident of the government.'*

(CC-JFZ-10)

Summary finding: The trust factor played a great role in kick starting the project of JAFZA because Sheikh Mohammad appeared to be of confident of Sultan's idea and his capabilities to head the project. Sultan was given charge to run the project at such a young, implying Sheikh Mohammad might have taken a risk but he also believes in his people. Further, the companies also seem to have complete trust in the government and its decisions regarding JAFZA and other sectors in Dubai since the companies grew and were content with doing business in JAFZA.

6. Track Record

Entrepreneurs with a good business record are able to gain trust of the stakeholders much easily as compared to the entrepreneurs who are relatively new in the market with no previous venture experience (Nguyun and Rose, 2009). Once they get the trust of the stakeholders, it becomes easier for them to get the resources for their ventures. It implies that a successful track record is used to gain the trust of the society overall when the new ventures have no established reputations or history of affiliation with more skilled and experienced partners (Gompers et al., 2006). Stakeholders are more willing to trust experienced entrepreneurs or second-time successful entrepreneurs because entrepreneurial experience decreases the likelihood of failure in the eyes of stakeholders (Eesley and Roberts, 2006).

The theme 'track record' refers to the series of successful events under the entrepreneur's belt that allows her/him to project himself as a reliable person with consistent success rate to the stakeholders. The stakeholders see her/him in the shadow of her/his past endeavors and give their approval based on their individual and collective judgments. And it also becomes easier for the society to trust such an entrepreneur who has a previous successful track record. The stakeholders assume that such serial successful entrepreneurs are less likely to fall victim to the same pitfalls of the business as the entrepreneurs have been through that route at least once. Thus, the allure of a serial successful entrepreneur makes her/him eligible to gain access to the resources and approval of the stakeholders/people opening further doors for her/him.

Theme: ***Track Record***
Description: The track record of an entrepreneur (successful or unsuccessful) affects the future judgment of the stakeholders.
Theory: 'Venture capital firms perceive a successful track record as evidence of skill, not just luck' (Gompers et al., 2006). A good track record enables entrepreneurs to gain trust of the stakeholders (Nguyun and Rose, 2009).
Interview Question/s: How do you think the history of earlier success helped with the approval of JAFZA project?
Moving from Findings to Action: How people perceive the earlier success of entrepreneurs and how it affects their judgment? What if s/he is a first-time entrepreneur or has a mixed (50-50) success rate?

The results indicated that the track record of an entrepreneur comes in handy when the approval or acceptance is required from the stakeholders. In the case of JAFZA, Sultan did not have a successful track record himself at that time when he presented the idea to Sheikh Mohammad. But the vision that he was taking forward belonged to Sheikh Rashid bin Saeed Al Maktoum who is regarded as the father of Dubai, with a number of successful projects under his belt such as dredging the Dubai Creek, Jebel Ali port, Dubai World Trade Center and Dubai Dry Docks[104].

As mentioned above, Sultan had no successful experience as it is assumed to gain approval and resources from the stakeholders, but Sultan had the support of Sheikh Mohammad. On one hand, it was a gamble considering Sultan's inexperience but on the other hand, it was the vision perceived by their trusted leader (Sheikh Rashid). So, it was seen as a project backed up by Sheikh Mohammad (son of Sheikh Rashid[105]). The data sources seem to relate it back to as Sheikh Rashid's project even when Sultan executed the free zone project. It suggests that it was not Sultan's track record, which was under scrutiny; rather it was Sheikh Mohammad support and Sheikh Rashid's track record that provided the approval for the project to kick off.

Various newspapers reported about Sheikh Rashid's success as astonishing and unbelievable.

In the book *Scales of Justice*, the author mentions about the New York Times report as *'New York Times report on February 23, 1961 writer Richard Harris painted a picture for readers unfamiliar with the area by noting a lack of roads and the recent arrival of cabbage farming in RAK. He went on to say ... at Dubai, a clever ruler is thriving on the fastest growing seaport in the gulf.'* (Wilson, 2009, p. 92)

A French daily lee Monde reported in May 1961, *'further along the coast in Dubai there is no oil but the ruler [Sheikh Rashid] is a wily and clever man who has managed to overcome a lack of any natural assets and built thriving port town.' (*Wilson, 2009, p. 92)

The Times (British Media) on November 1962 commented on the buzz created by Sheikh Rashid's success as*, 'British officials based in the Persian Gulf remain equally perplexed as to how the Dubai ruler has managed to achieve the startling results he has. A thriving port, a growing merchant class and a booming economy have contributed to a growing*

[104] This finding is being inferred largely from the track record of the government. JAFZA is a government entity and it is not possible to separate Sultan's case from leadership of Dubai as it can be argued that Sultan being a part of Dubai elite society was privy to the inside information.
[105] Sheikh Rashid was still acting as the ruler of Dubai during the time when Sultan presented the idea.

sense of wealth and snowballed into on-going systematic progress.' (Wilson, 2009, p. 117)

The above quotes show that even the media was astonished with the success that Sheikh Rashid had with his projects. Especially when he was just a tribal ruler with no formal education to support his knowledge. So, when the project of free zone was proposed, the people of Dubai trusted the leader and his vision based on his earlier success with the projects.

In the book Rashid's Legacy, the author says, 'The *same can be said of the Dubai Dry Docks project. A similar plan had been proposed in Sheikh Rashid's Majlis in the late 1960s and had found few supporters. Sheikh Rashid had dropped the idea but had not forgotten about it. In 1973, such was his confidence in the idea that he revived the concept. On December 30, he signed a contract worth £95 million to construct a massive dry dock, which opened in 1979 and was the biggest in the Middle East.'* (Wilson, 2006, p, 370)

A man named Abdullah Saleh (no occupation mentioned), in the book *Scales of Justice: Half century of Dubai Courts*, says, '*Not for the last time, Sheikh Rashid was proven quite right. In fact, if you consider that ultimately Dubai would have had to have additional port facilities, the eventual bill of $1.7 million was miniscule compared with one of perhaps six times that if you attempted to build Jebel Ali today.'* (Wilson, 2009, p. 204)

The above quote shows that the advisors and merchants were proved wrong in the case of Jebel Ali when they were not in a favour of a much bigger port. However, Jebel Ali started getting profitable after Iran-Iraq war ended and now it is one of the strongest pillars of Dubai's economy contributing almost 21% to Dubai's total GDP.

Similarly, when Sheikh Rashid gave a green signal for the project of Dubai World Trade Centre in 1974, people thought it to be unnecessary and inappropriate at the time. But Sheikh Rashid proved them wrong when it became fully occupied from the day of its opening.

In the book Rashid's Legacy, the author says, '*The Middle East's tallest building at the time, the Trade Centre was constructed at a site on the outskirts, thought quite* *inappropriate by most observers at the time. "Preposterous", says George Chapman an expatriate who was part of the 1970s boom. "That is what most people call the world Trade Centre, when Sheikh Rashid started building. Some questioned Sheikh Rashid's continued sense of vision, ironic when in fact the lack of vision was on the side of those who remained doubters.'* (Wilson, 2006, p. 372)

Sheikh Mohammad in his book '*My Vision: Challenges in the Race of Excellence'* mentions the dredging of Dubai Creek and building a Port Rashid as one of the significant events in Dubai history. He says, '*Following the deepening and widening of the Creek, ships loaded with up to 800 tonnes of goods were able to use the new berthing facilities and trade prospered. My father expected Dubai would soon attract much more trade and with the Creek being full to capacity, he decided that much larger port facilities in deeper water were needed. In 1969, he ordered the construction of Port Rashid with four berths, but long before they were completed, he ordered the construction company to add eleven more berths. The first phase of the port was completed in 1972 and was followed by an expansion project in 1978 that raised the total number of berths to thirty-five, five of which could accommodate the world's largest container ships of the time. Then, just two years before the completion of the expansion project, my father surprised everybody by ordering the construction of a large new port. That was the Port of Jebel Ali, which was equipped with twice as many berths as Port Rashid, and with a huge shipyard for ship maintenance. The year 1979 is considered by many as being especially significant in Dubai's history, since three of the emirate's largest projects were commissioned that year. The first of these projects was the Port of Jebel Ali. The second was the aluminium smelter constructed and owned by Dubai Aluminium Company (DUBAL), with an initial annual capacity of 135,000 tonnes. The third mega project commissioned that year was the Dubai International Trade Centre (now known as the Dubai World Trade Centre), the tallest building in the Middle East at the time and one of the world's largest. At that early date my father equipped the people of Dubai with a unique infrastructure and a successful industrial base that immediately transformed the emirate into a prominent regional business centre.'* (Al-Maktoum, 2006)

The above quote implies that the people of Dubai had started trusting Sheikh Rashid with his first project, which was the dredging of Dubai Creek. So, when he started to come up with new ideas/ projects, the people of Dubai accepted it and there was no resistance from their side.

'Shaikh Rashid, the eighth ruler from the Al Maktoum family, was loved and greatly respected by the residents of Dubai, as he ruled the emirate with compassion and with a clear vision of what was required to transform Dubai into a modern city. Driven by this vision, Shaikh Rashid accomplished what many believed to be impossible.'

(Gulf News, 2015)

In the book *Father of Dubai: Sheikh Rashid bin Saeed Al-Maktoum*, the author mentions, '*Sheikh Rashid bin Saeed Al Maktoum was responsible for the transformation of Dubai from a small cluster of settlements near the Dubai Creek to a modern port city and commercial hub.'* (Wilson, 1999)

The above quotes show that Sheikh Rashid had many successful projects under his belt so when the project of a free zone was brought forward; people trusted the vision seen by their leader even Sultan was the one to make it a reality.

One of the JAFZA management participant says, *'So our father's generation, our grandparents' generations, my generation ... the trust factor [on the leadership/government] is there (See pg. 262).'* (MM-JFZ-02)

It shows that people of Dubai trusted their leadership with the decisions since they and their ancestors have seen the change in the landscape of Dubai.

Summary finding: The project of JAFZA was approved basically due to the track record of the Dubai leadership itself. Sultan did not have this characteristic himself of having a successful track record at the time. But the leadership of Dubai did as the people of Dubai believed in Sheikh Rashid bin Saeed Al Maktoum. Hence, Sultan built on the success of leadership of Dubai, as JAFZA is a project backed up by the government of Dubai.

7. Best Practices

Entrepreneurs use analogies to explain about their ideas and ventures, so it facilitates the stakeholders to understand their reasoning (Cornelissen and Clarke, 2010). People seem to accept new ideas or ventures more easily if the new venture has structures, norms or beliefs similar to a group of organizations that have been already approved by a society (Lamertz, Heugens and Calmet, 2005). Zimmerman and Zeitz (2002) argue that if a new venture adopts and conforms to industry practices then it is considered acceptable. However, a new venture would have to meet certain criteria to be acceptable by the people for that particular industry or group of organizations (King and Whetten, 2008).

The theme 'best practices' in this study refers to use of the successful ideas validated in a different field or context by others and implementing it in ones owns context that allows an institutional entrepreneur to argue about the suitability and feasibility of her/his idea. It refers to adopting the same rules, regulations, values and norms of already established and successful ventures in the context where the change is being implemented. It allows an entrepreneur to convince the stakeholders that her/his idea can be effective and fruitful by choosing the similar arrangement. The idea is to assure stakeholders about the viability of the proposed project.

The facts and figures can support an entrepreneur's idea that would smoothen the path to get her/his proposal accepted. The reason being, the stakeholders usually do not have the information about the entrepreneurial venture put forward for their approval and the only information they get is provided by the entrepreneurs themselves which might/might not be true. So, if the information is backed up by already validated contexts then it becomes easier for both stakeholders to judge the feasibility of the project and for entrepreneurs to convince the stakeholders of her/his idea.

Theme: ***Best Practices***
Description: The notion of taking a successful entrepreneurial idea either from the same or different context and then implementing it in one's context.
Theory: Entrepreneurs 'may extend the analogy metaphorically, and thus stress the similarities with established business concepts in more remotely related industries' (Werven, Bouwmeester and, Cornelissen, 2015, p. 621). By following societal norms, rules and regulations and compliance with ideas, models, practices etc. provide authenticity to an organization (Zimmerman and Zeitz, 2002).
Interview Question/s: Was the idea of free zones taken from any other economy and thought to be applicable in Dubai? How tough was it to combine international market laws with Islamic trade laws? What type of constraints from international markets the free zone has to face?
Moving from Findings to Action: How ideas validated by others help an entrepreneur in gaining approval from the stakeholders? How much easier and smoother it is to replicate the approved and successful (entrepreneurial) formula again either in similar or a different context? How does it lead to organization isomorphism?

The findings showed that Sultan went around the world to visit different ports and gathered information regarding the feasibility of the free zones and came back with enough evidence to argue his case with the leadership of Dubai. The leadership of Dubai has a history of making decisions strategically and taking it forward, so it benefits the society of Dubai. Even in the past when Sheikh Rashid decided to build Port Rashid as a free port, he sent people to other ports to understand how the ports were being managed and run. The below mentioned quote confirms that.

In the book *Rashid's Legacy,* the author says, '*Sheikh Rashid was also keen that Port Rashid develop as a free port. The most successful at a time on a similar model were those in Singapore and Holland, so government representatives were dispatched to each complete a study.'* (Wilson, 2006, p. 251).

The below quotes show that Sultan went around the world visiting different ports around the world and gathered information about their best practices so that he could apply it in the context of Dubai. Furthermore, it also indicates that Sultan had an entrepreneurial mind-set, which drove him to go around the world looking for the answers.

'I visited Hong Kong, Taiwan, Korea (Masan), Singapore and then visited Hawaii … they have a subzone, a part of a zone but refinery that enjoyed free zone status [was] not necessarily in the zone then went to Dallas and then went to New York, New Jersey Port Authority, Port Elizabeth and [then] turned up here. And gather enough information about the project … because I was trying to find out for myself [about the feasibility of a free zone]. I believed in it [the free zone]. I … many people [the merchant community and the other advisors to the ruler] didn't believe in it so I said … I can't go the government with no information so I did my own research.' (IE-CEO-00)

The Fortune Magazine mentions about Sultan's visit in a similar way implying that Sultan adopted the best practices from around the world ports and altered it with respect to the context of Dubai. *'So during one summer vacation he bought an around-the-world plane ticket and flew to wherever free zones were popping up - Hong Kong, South Korea, Singapore, Taiwan, Honolulu, Dallas, New York. When he came back, he was so convinced that this was the key to Dubai's success that he personally pushed a proposal to Sheikh Mohammed, now Dubai's ruler, to build one near the port.'* (Gimbel, 2008)

The above quotes indicate that Sultan's visit to understand other port's operations worked as a strategy as Sultan tried to sell his idea based on the facts of successful ports that he visited. The stakeholders always are more receptive to successful analogies of projects when deciding to give access to the resources.

Sultan says about the best practices being adopted for the Jebel Ali Free Zone, *'They are different [JAFZA and other free zones]. One of the problems in many other free zones in the world is that there is always a problem between them and their customs. So, when they say yes to the investor, the customer says no because their regulations are different. We are under one entity, which is good. You know ... When you look at the study of free zones, there are hundreds and hundreds of types. There is no standard. That's what the government find out in the end because people said …ooo you have a free zone, you have to guarantee to pay their 20% of their production which is not good. There are certain countries they do that because they want them to employ people but it's not really a rule.'* (IE-CEO-00)

He further says, *'We devise our own strategy that is basically good for us. We tailor-made everything to suit us.'* (IE-CEO-00)

The above quotes show that even when Sultan looked at the successful free zones of the world, he did not duplicate the exact structure of those free zones; rather molded it according to the context of Dubai.

One of JAFZA management participant says, *'It was a combination of few best practices combined together into one area [free zone]. After looking at the best practices from around the world, it was embedded into social, cultural, political local context.'* (TLE-JFZ-01)

Another JAFZA management participant says, *'I know … when Dubai was setting up a free zone, they did a scan of all the free zones in the world and including those first and foremost those in Singapore because they [these free zones] were actually considered the best practices and their outcomes were one of the most positives [successful] ones so they were doing definitely something right and this is where we got the best practices from across the globe including Singapore.* (TM-DED-04)

'This is what they pride themselves over here in terms of acquiring the best practices out there, adjusting [industry norms] them to local conditions and in many cases... Improving on them [industry norms] as they go'. (TM-DED-04)

Another JAFZA management participant says, *'One decision is to seeking solutions … planted and create business opportunities (See pg. 243).'*

(TLE-EZW-03)

The above quotes affirm that the best practices from around the world were chosen for the project of JAFZA. The participants implied that this is Dubai's way of doing things and it was not only the case with JAFZA but for other projects as well.

All the JAFZA companies were in agreement that JAFZA offers the best solutions and ways to do business in the Middle East region. They were happy with the services and facilities provided at the free zone.

One of the JAFZA company's (founded in 1991) participant says, *'And they [JAFZA]* *have the best facilities. This is actually an easy in and easy out [import and export] ... also the easiness [procedures to set up in JAFZA] of the JAFZA. This also makes a difference. And the paperless processes [JAFZA went digital and had been improving its services] … Also, we can do everything from [our offices] and a lot of facilities [has] been provided actually.'* (CC-JFZ-08)

Another JAFZA company's (founded in 1992) participant says*, 'The journey for these seven years [had 7 years experience in that company]. It's been really high [quality of the management in terms of assisting and helping the companies] whether in terms of operations, expansion whatever its being happened. It is quite big whatever its being happened here. They are doing a good job from their side.'* (CC-JFZ-05)

Another company's participant (founded in 1992) says '*See it's continuously improved [services at JAFZA]. Because of you look at it, there were days where everything was paper-based. Like we'll go to port and pay cash to collect a token for picking a container. So those days also I mean compared to other parts of the world, it was much better [even] though it was paper-based. But now it is completely systemized where I don't have to go there. I mean as my entire team sits here in my office, they enter into the website, they pay duties whether it's about paying duties or whether it's paying gate pass for someone whatever it is for a token, everything, even scheduling when you want to pick the container, when you want to deposit, everything you can do it here [from the office]. So, the transformation from paper-based to the paper-less, it happened smoothly. Previously we were using typewriter to prepare the documentation. Now everything through online.'*

(CC-JFZ-12)

One of the JAFZA's company (founded in 1994) representative says, '*That is all like they adapted the modern way of doing the documentation [going digital]. Not before like that [in the past] … Before we would come for any purpose here [to JAFZA management], now no need to come here, we can do it from the opposite side [from our offices anywhere in the world]. The transition from old to modern technology adapted by JAFZA …, And they are good supporters [in assisting and helping companies to set up in JAFZA and other issues] also … and the [Jebel Ali] port is also like, I think, a top port in the world amongst other ports. It has got a good rating. '(CC-JFZ-01)*

Another company's (founded in 1999) participant says*, 'The services [at JAFZA] and the city [Dubai], the whole package which is offered is perfect for any international investor or business that is willing to do business in this region. So, by that time in the Gulf Dubai I think it was having the only free zone, which will give you a hundred percent ownership [no local sponsor] as a foreign company. And the services were going, till now they are still the best, in between there were many options to move somewhere else out of JAFZA [to other free zones as now UAE has a number of free zones]. But with the services and facilities [offered at JAFZA] that's available here, you can't do that.'*

(CC-JFZ-04)

A representative from one of the JAFZA's company (established in 2002) says, *'JAFZA, you know, with their pro-activeness has given us a lot of boost in terms of, when we moved in here, we definitely had a lot of advantage moving into this place. …Their approach is always excellent. They are always very customer friendly; they always try to help the businesses. And at every step, they have helped the business with whatever support that they need to give, they are very proactive and they're trying to get it done. It had been the case right from the beginning. And I think that's only has been improving with period of time.'*

(CC-JFZ-02)

All the above quotes indicate that JAFZA has best practices operating in it boundaries and the government is continuously improving the standards in order to cope with any changes in the business environment.

Summary finding: The idea of a free zone put forward by Sultan was taken from other various contexts (e.g. Singapore, Taiwan, New York) where it had been successful. The best practices were catered to the local context of Dubai as Sultan said that we devised our own strategy after looking at these ports. And the companies were satisfied and happy with the set up and facilities offered at JAFZA as they claimed that it is one of the best ports in the world and other ports have not reached their level (operations) yet.

8. Rhetoric

The use of rhetoric aids entrepreneurs to convince stakeholders about the feasibility of their ideas. Suddaby and Greenwood (2005) claimed that language is a key component in communicating abstract ideas that do not have any tangible foundations yet, to bring change in existing institutional arrangements. Several studies also indicate that rhetoric is a valuable instrument to gain stakeholder favours (Holt and Macpherson, 2010; Rindova, Barry and Ketchen, 2009; Ruebottom, 2013). Hence, rhetoric plays a significant role in any entrepreneur's pitch that enables her/him to convince stakeholders, in order to obtain their approval.

The theme 'rhetoric' in this study signifies the use of skilled language to persuade the stakeholders in order to acquire the approval for the project and ultimately the resources. Rhetoric is a significant ex-ante factor in shaping the perception of stakeholders towards an entrepreneur and her/his idea. It can be taken as an art of speech where one's motives are being delivered in such a convincing way that others believe in it. Entrepreneurs are considered to possess this skill since they have to negotiate with different kinds of people at different levels and stages for their project.

In the case of JAFZA, the theme 'rhetoric' has a two-fold implication. It can be used to acquire approval from the stakeholders (internal) in the initial stages. And it is used to attract clients or customers. In this case, Sultan spent couple of year in negotiations with the stakeholders and he was also the first point of contact in the early years of JAFZA, so the companies' representatives used to meet him personally if they were thinking to open up their business there in JAFZA. Later the responsibility was assigned to others as JAFZA grew.

Theme: ***Rhetoric***
Description: The challenge of using rhetoric in a way that stakeholders get convinced about the viability of an entrepreneurial idea.
Theory: ‘Rhetoric is useful to justify a new activity or idea as efficient and effective, appeal to socially accepted norms, and excite others' interests’ (Ruebottom, 2013). ‘Rhetoric and language in general play a fundamental role in the process of gaining and maintaining legitimacy’ (Green and Li, 2011).
Interview Question/s: How a decision is formally made in a context of Dubai? What type of consensus is needed? How was the idea put forward to UAE federation? How did you convince the merchants? (In-Interview Probing)
Moving from Findings to Action: What type of rhetoric helps entrepreneurs in securing stakeholders’ engagement in their projects? Which rhetoric strategies are more useful and persuasive? Is it a skill that entrepreneurs have, or they learn it?

The findings[106] suggested that Sultan must have had strong convincing communication skills when he discussed the proposal with the government of Dubai. However, it took him around two years to completely persuade the government and other stakeholders to accept the JAFZA proposal but in the end, he came out as a victor. JAFZA was established in 1985.

Sultans says, *‘So I did my study [JAFZA report] in 1983, I kept talking to the government in 84 and the law was passed in 1985 … It took time to get [persuade] them … to convince them.’* (IE-CEO-00)

He further mentions, *‘In the beginning they [government and the merchants] were very concerned and especially the businessmen. There was not really a formal discussion but*

[106] This can be considered as a weak finding as it does not depict the actual rhetoric of Sultan with the government and the companies. The researcher was not involved during the actual course of the event. Hence, this finding is being inferred on the verbatim of the interviewees involved.

the government, they keep talking to the businessmen and they keep complaining (the businessmen) … don't do it, it is going to hurt [the competition that other companies in the proposed free zone might have brought] our business but [in] 85 it [JAFZA] was established.' (IE-CEO-00)

The above quotes show that Sultan had to negotiate with the government and the business community to make them come on board with the idea of a free zone.

He further adds, with regard to any current changes, '*We naturally discuss them what's needed. Many people … the admin, sales, the operations. The people from every department are involved. Admin/sales/ operation.'* (IE-CEO-00)

It indicates that it is a skill that Sultan has and used it earlier when he had to convince the government for JAFZA, and he still makes use of it now when they need any new rule or change to be implemented in JAFZA. It suggests that Sultan understands the power of negotiation and discussion needed for approval from the stakeholders or implementation of any new activity in JAFZA.

The company's representative statements further prove that JAFZA bring them in whenever they are trying to innovate new ways of doing things. Though the small companies had not this privilege of being consulted for any changes in JAFZA, but the major players are consulted for their opinions and suggestions. It indicates that it is used as a skill and a strategy to involve the companies and to listen to their input whenever a new activity/rule is implemented in JAFZA.

One of the company's (founded in 1992) representative says, '*Everywhere, in Dubai trade … when they developed a new system for gate pass processing, they tried to digitalize, we were the first companies to involved in terms of, what are the challenges, how it can be done - in terms of integrating your systems with JAFZA's system*.' (CC-JFZ-12)

Another JAFZA's company (founded in 1992) participant says, '*Yes. It is a two-way conversation [JAFZA and companies], in case JAFZA has something [new rule] I try to mediate between these teams, in terms of, JAFZA comes to us with - there is a change in this - We also put to the company saying that this is the change what JAFZA is bringing* *up. Do we want to have any more discussion on this or we fine with it? So, there are discussions sometimes like oh no. This is not going to be accepted from our side. Maybe the U.S laws are not been accepting for us so we need to have a conversation with them and only to understand much better, how this can be resolved in a way to end a process.'* (CC-JFZ-05)

A representative from one of the JAFZA's company (established in 2002) says, *'Yes, can not say for everything but for major issues. Because since we are one of their key partners, you can say [they consult us]. So, whenever they want to implement something, they do talk to us. They not only talk to us, but they also speak to other major businesses. They take opinions from them and then even when they want to improvement it also, they have a very good way to do it. They come and discuss it out. They meet us, they call us for readings over with them.'* (CC-JFZ-02)

Referring to the decision of JAFZA, one of the JAFZA management participants says, says, '*They easily accepted that [the decision of JAFZA]. In today's time you cannot do things in isolation, you need to communicate. And that kind of communication does take place*.' (TLE-JFZ-01)

The findings suggested that decisions like JAFZA in Dubai do not take place in isolation. The leadership of Dubai discusses about any new projects or potential changes with concerned departments and people and then a decision is reached through consensus. It suggests that negotiation and discussion is part of a Dubai's government strategy. And it is reflected in how decision for JAFZA was taken.

'*When there is an issue existing in a business community and there are so many different means and ways of that information reaching to the authorities and then meetings take place and they communicate to different government departments … …which again communicates to different sectors of the economy of the business communities. One of the most important ingredients here is the chamber of commerce because we have business groups and business councils. Business groups are industry based and business councils are nationality based. So through that Dubai chamber is able of engaging the pulse of the market and also listens to the whispers and the complaints and cries of the market and business community and compiles it, analyzes it and then comes up with suggested* *solutions and provides it to the authorities in order to come up with the solutions to the problems which are faced by the community.'* (TLE-EZW-03)

He further mentions, '*With more than one way of meeting and exchanging ideas and views within the country and within Dubai itself. They have lots of Majlises in which both locals and expats meet. And there are Majlises, which are known to be attended by business type of people and what I am talking about has been taking place for the last 100 years. So, there are many many ways of meeting people and reaching to people.*' (TLE-EZW-03)

'Absolutely. It is a pillar. It is actually whatever you see around is a result of these consensus of these discussions of these formal and informal groups of where you bounce the ideas, where you talk to people and then you try to actually frame the discussion, you know put in all the ingredients raw and start to focus zeroing on the most critical aspects of the moving forward.' (TM-DED-04).

*'Now, for example, as we moved, historically of course, Dubai plan 2021 was exactly the result of exactly what I described [referring to discussions in Dubai]. It's the strategic objectives … you know … at the very high level where we define it in these discussions and how to populate all these objectives. These are just strategic objectives and how do you actually reach them, go through projects, initiatives and policies so this is the path [to discuss to reach a consensus]. Now as we talk about moving ahead and critical importance of moving as a strategic objective this economy into a knowledge-based economy and role of innovation then automatically you talk about the productivity and the productivity happens not through only the government sectors, but to impose GDI's and make a one stop shopping windows and all this. It's a discussion with a public sector, private sector to see what are the rules of the game. If they need to be changed, for example, in terms of the capital, labor ratios, how to use them and what it is exactly that is preventing company X from getting up its investments in capital goods rather than machinery and going all out capital intensive rather than labor intensive and all these discussions are taking place and of course at the end of day, the thing we want to see how best our role in terms of policy framework and doing business environment, we can promote and shift towards high productivity environment.' (*TM-DED-04)

He further adds*, 'Absolutely. It's a complete partnership and we do not do anything at all like behind closed doors - nothing - and this is why when for example his highness [the rule of Dubai] announces the strategy, it is not a surprise to the people within the sector. Because they were privy to the discussions.'* (TM-DED-04)

'There is ... Dubai model stands on consensus building only. And to be clear, Dubai prides itself on reaching, going for that model and achieving consensus before things move forward. Because in here [the model of Dubai government], it's a partnership. Its not like there is the government and there is a private sector and no bridge between each other. There is an explicit partnership between the two to move forward on the economic fronts so for example, the development of the Dubai vision 2021 whether Dubai/UAE vision, how did it take place. It didn't was just developed behind closed doors … We engage with private sector, we talk and see where they think because they know the challenges of their businesses and then we come up with those initiatives and discussions. They take place sometimes 2/3 years before we come with this 5-year plan, but we focus [on] them [objectives from] months [before].' (TM-DED-04)

Another JAZFA management participant says*, 'We have participation and representation from all the different departments, and we need to make sure that Dubai strategy 2021 is cascaded down to us as well and what we can do for different pillars, where our contribution is going to be.'* (MM-DIFC-05)

All the above quotes indicate that the government of Dubai does rounds of discussion with the public and private sector before any major change is being implemented in the structure, so everyone is on board with the idea and there are no surprises for the community. And JAFZA being an entity of government adopts the same technique and involves companies when a new rule is in the process of implementation.

Summary finding: Sultan also used negotiations skill to convince the government and merchants about the JAFZA project back then and this method is still being used in JAFZA and other government entities. The government of Dubai always seems to hold talks with the concerned departments and people if there is any new change being implemented, which indicate that they use the power of rhetoric to convince people.

9. Incentives

Incentives play an important role in the performance or productivity of an organization. Ivancevich and Matteson (1990, p. 171) claims, '*Organizations use a variety of rewards to attract and retain people and to motivate them to achieve their personal and organizational goals'*. Because in today's dynamic market, organizations face many challenges, such as going into new markets or employing unfamiliar technology, to keep themselves ahead of others to retain clients and employees and their loyalties. Hence, reward structure can work as a great motivator for organizational success and can be used as a stimulant to productivity.

The theme 'incentives' in this study refers to the idea of providing enticements or reasons to attract people to one's own side. Incentives are tools that are used to get co-operation of either the stakeholders or the general people. Organizations usually use incentives to retain employees and attract experts to their organization. Incentives can either be monetary or non-monetary. It implies that incentives can be of any kind ranging from very small to big depending on the context and people it is aimed at. Incentives could either be offered to stakeholders in some form to obtain their approval or it could be used to attract clients or customers. In the case of JAFZA, the benefits of a free zone were used as an incentive to attract companies to the free zone. There was no evidence found of suggesting any kind of monetary or non-monetary offer to the stakeholders.

Theme: ***Incentives***
Description: The notion of providing temptation or inducements to lure votes in one's favour for an entrepreneurial venture.
Theory: 'Both monetary and non-monetary incentives are considered as workplace motivators' (Nandanwar, Surnis and Nandanwar, 2010, p.15). Ivancevich and Matteson (1990, p. 171) claims, 'organizations use is a variety of rewards to attract and retain people and to motivate them to achieve their personal and organizational goals.'
Interview Question/s: N/A
Moving from Findings to Action: How effective incentives can be in getting stakeholders acceptance and approval? Does the quality of incentives count?

The findings indicated that even in the pre-federation days, the leadership of Dubai had lured merchants and businessmen to its creek by making it tax-free and offering merchants land and protection when the opportunity arose after the fall of Port Lingah. The government of Dubai went with the same route with Jebel Ali Free Zone to attract companies by offering them various incentives to open up their business in JAFZA. They knew that shipping lines and the merchants at that time were reluctant to come to the free zone, so they offered the companies concession on land and tax benefits for 50 years in the beginning along with other incentives listed in the Table 6.2. And a truck fleet service was also provided to transfer the goods from Port Rashid to Jebel Ali in reply to the merchants' claim that Jebel Ali is far away from the centre of Dubai. Hence, a number of incentives in different forms and types were offered to attract the merchants/companies.

Sultan mentions, *'This involved taking a piece of land and building or taking a warehouse and converted into factory. We used some of the warehouses [in Jebel Ali free zone] … unused warehouses, we leased them to companies [at very minimal charges]. We divided the warehouses … 70000 sq. ft warehouse may be became 8 factory units and as we started to lease land and offices.'* (IE-CEO-00)

The above quote indicates that initially the warehouses around the port were converted into factory units and leased to companies at very reasonable rates to encourage companies to come to JAFZA. Later more cargo storage and warehouse facilities were built from the revenue generated from leasing of unused warehouses.

One of the JAFZA management participant says, *'We give you tax benefits for 50 years, you do not pay taxation as concession from the government. Back then we would give concession on land so a grace periods of years as well, you do not pay for land for how many many years and so many other things as concessions. So, this idea would benefit Dubai to diversify the economy.'* (MM-JFZ-02)

Another JAFZA management participant says, '*There were many big multinationals that that wanted to come to UAE and to Dubai specifically but then they were not keen of having a local partner whether as a sleeping partner or as a service agent or as a partner, companies for example such as nestle, proctor and gamble and others. They didn't want to be at a mercy of somebody else here and unfortunately … let's look at it and be reasonable, in 1980s, if a company wants to invest 150 million dollars in a place, they don't want my decisions to being affected by a partner that has nothing to do with their business. I want to have the full authority and full control of my business to be at my own discretion.'* (TLE-EZW-03)

He further mentions, '*In the beginning all of these companies were lured to Jebel Ali free zone by giving them very nominal rent but of course that have to change. It had a time limit for those to enjoy such a low and reasonable rental fee and that has changed and has become a sizable source of income.'* (TLE-EZW-03)

Another JAFZA management participant says, *'If you think free zone and what's the difference between free zones and mainland Dubai. So, if you take DIFC, you have 0% taxation, 100% repatriation of capital and profit for 50 years so you have a lot of advantages being in a free zone which you might not have it in the mainland of Dubai. For example, you don't need a local partner (if I can take that example specifically) and the fact that you have 0% con profit and capital repatriation is also a big advantage.'* (MM-DIFC-05)

The above quotes indicate that the companies were offered various incentives to establish their business in the free zone, in addition to removal of local partner condition within the boundaries of a free zone.

The JAFZA companies' sample also indicated that the incentives offered were attractive, in addition to 100% ownership that was not possible in Dubai earlier.

One of the company's (founded in 1985) representative says, *'The mainland of Dubai we didn't consider only because we would want a local sponsor that would take time and all those things ... To find a place, build the factory, build a shed or something ... so all of that... We thought about it and we were in the free zone in India. So, we have to import a lot of things export a lot of things that we're not trying to do anything in Dubai, mainland Dubai and so we said ... why not try the free zone. So that's what it was.'* (CC-JFZ-09)

One of the company's (founded in 1992) representative says, *'Jebel Ali Free Zone has supported us in terms of warehouses, all kinds of detailed requirements, what is required to run our businesses in this volatile market is been available by Jebel Ali.'* (CC-JFZ-05)

One of the company's (founded in 1992) representative says, *'The main advantage of free zone is that there is no need to pay duty when we import the goods. So, it's a central distribution center. Free zone is a center distribution center. We import the goods for our all concepts and then export it. All of the mainland operators are operating form Jebel Ali Port. So that's the main advantage we have. I'm talking about it as the infrastructure or as in like technical abilities. That's' what we started with. When we talk about infrastructure, connectivity in terms of infrastructure whether its roads or warehouses, everything is there, then for any logistics hub to be successful, you need connectivity, which he is talking about. You want to move by road, you got good network of transporters available, you want to connect your cargo through sea mode, you got options available, whether to GCC or outside GCC then same will be with the authorities also ...'* (CC-JFZ-12)

One of the company's representative (founded in 1994) says, *'Because this is a free zone. It's easier to open in a free zone (easy documentation) … very fast as well into the company (See pg. 238).'* (CC-JFZ-01)

One of the company's (founded in 1995) representative says, *'We don't pay any taxes if we do re-export. And there was no control on currency actually, whatever the currencies we can deal in and there was no sponsor requirement. So, these are the attractive matters, which our company considered to start here. And on the top of that, there was no recruitment restrictions as well ...nationality wise because outside right now (in the mainland Dubai), we know localization is going on. Not only the localization. Sometimes the requirements are subject to some countries … Well if you're in free zone there is no such restrictions actually. No taxation.'* (CC-JFZ-06)

Another company's (founded in 1999) representative says*, 'The services [at JAFZA] and the city [Dubai], the whole package which is offered .... But with the services and facilities that's available here, you can't do that (See pg. 275).'* (CC-JFZ-04)

One of the company's representative (founded in 2000) says, ***'****The facilities by JAFZA were good and there was a big potential for the future, so they started in Jebel Ali free zone … the free zone was considered because they didn't want any partners. And when you go there [mainland], you need it to be with the local partners and they wanted it to be the whole company 100% ownership withholding company …'* (CC-JFZ-10)

Summary: The free zone became lucrative for the business due to the incentives offered to the companies. Initially the incentives offered were more when JAFZA was trying to establish itself such as leasing land at very nominal rates. Though with time JAFZA was not able to offer land as previously due to the land availability but other incentives are still offered to the companies. One of the significant incentives that every company talked about was the absence of a local partner and having full ownership of the company along with the strategic location on the Persian coast.

10. Skills and Knowledge Acquisition

Zimmerman and Zeitz (2002) claim that hiring skilled and experienced people signifies the the credibility of the project or firm. Since there is uncertainty around the new ventures so by associating with people with desirable skill-set makes the firms credible to outsiders. Similarly, Rao, Chandy and Prabhu (2008) show that new ventures establish legitimacy through affiliations and associations with significant scientists, hiring top experts or by partnering with established companies in the biotech industry. Hence, the acquisition of skilled and experienced people helps to establish legitimacy to outsiders.

The theme 'skills and knowledge acquisition' refers to hiring of skilled and experienced people to manage the new venture that demonstrates its capability in executing the value proposition assured. The stakeholders would perceive such an action to be assuring that the venture has potential and capabilities to carry out the necessary steps involved for a successful introduction of a project.

Theme: ***Skills and knowledge acquisition***
Description: The idea of being desirable in the eyes of stakeholders by hiring experienced people to help/manage the new venture.
Theory: Rao, Chandy and Prabhu (2008) found that new ventures try to build credibility by associating themselves with established entities. Gulati and Higgens (2003) argue that firms can gain legitimacy by hiring experienced individuals in related fields.
Interview Question/s: Was there any third party like advisors or consultants involved in setting up the free zone?
Moving from Findings to Action: How does the hiring of skilled people help in the building the credibility of the company? Does it offer any operational validity in terms of managing a new enterprise?

The results indicated Sir William Halcrow and Partners were hired to develop the feasibility report about Jebel Ali port and free zone. And Sealand Shipping Company managed Jebel Ali free zone under the guidance of Sultan bin Sulayem in the early days since it was the same company that was responsible for the port operations as well. Though the Sealand Shipping Company was more skilled in managing the port rather than the free zone, JAFZA simply made use of their capabilities to manage the free zone and learned most of the things by hands on learning approach.

Sultan says*, ‘I gathered people, I utilized the port facilities. You know what we did. We really started to … based on our own experience, based on how the operations is … we started to get people to do certain things.’* (IE-CEO-00)

And*, ‘Basically, we didn’t have any help as such [but had an engineering department by virtue of port operations]. We started to process the applications so we had some people as admin and we have some people as sales then we start [distributed responsibilities based on regions to market JAFZA] to make regions … somebody is in charge of Australia, New Zealand or Asia Pacific, somebody for North America and South America, somebody’s Europe, Middle east and Africa so we have different regions.’* (IE-CEO-00)

He further mentions*, ‘What we did was, we already had an engineering department [because of a port] ... There are certain procedures and regulations regarding health and safety, fire, worker accommodation. Those we establish different divisions by ourselves, brought people who knew about this like health and safety ..’*

(IE-CEO-00)

One of the JAFZA management participants says*, ‘It was really managed with the same skillset of people who were available and marketing and commercially operating the port. So, it was the part of the port operations that rolled out. So, they were naturally geared for operating the port and operating the port means you continuously interact with the shipping customers, with the other logistics customers and also the large buyers of these facilities. So that skillset was already available by virtue of being part of the port operations.’*

(TLE-JFZ-01)

‘Definitely there has been stages and times that the consultants were used whether for the whole concept or for a specific activity.’

(TLE-EZW-03)

Another one of the prominent participants form the JAFZA management group says, *‘It was a mix. And when the port was established, the port was not managed by Jebel Ali* *port itself. It was managed by the established foreign port operator. So, a lot of those resources were there, which was very much experienced in port operations, not in the zone's operations. From there onwards, it was very much hands on and learn as you go.'*

*(*TLE-JFZ-01)

He mentions about the current procedures*, 'We do work with a few consultants to essentially look at the markets, to look at the trends. We also every few years bring in specialists to look at what is JAFZA's contribution into the economy. That is, what is it that I bring to the economy of Dubai … I being JAFZA bring to the economy … So, with that, yes, a lot of interaction takes place with these consultants and most of them are available locally although they are of foreign pedigree. Now outside of JAFZA, we are engaged with a few government studies that go on for which is both a combination of overseas and local as well. So now where we are, if there is any expertise or any other consultancy being brought in, in terms of either for a absolutely new product or new line which we want to do. Other than that, its regular analysis that is done.'*

(TLE-JFZ-01)

Another JAFZA participant says*, 'Definitely there were consultants that were hired for the development. I don't remember the name … so long ago but you can find it in the archives. So, there were consultants that were hired. These are the same consultants who said it will not work. So, there are other consultants as well from construction, engineering, business consultants and so on.'*

(MM-JFZ-02)

The above quotes show that JAFZA had access to the skills and knowledge due to Sealand Shipping Company operating the Jebel Ali port; rest of the staff [107]was hired based on the qualification and experience as needed. This suggests that they hired consultants back then and they still do in the current times if a particular expertise is required.

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[107] It is important to mention that even though the interviewees told that the consultants were hired to help in running of JAFZA along with the support provided by the Sealand Shipping Co. in its early years, but no objectified data was found to back this finding.

Summary: Sealand Shipping Company managed the port in JAFZA's early days, in addition to the specialists consulted for the project. And skilled people were hired when needed and required to manage the free zone under the guidance of Sultan bin Sulayem

11. Symbolic Management

'Entrepreneurs are more likely to acquire resources for new ventures if they perform symbolic action' (Zott and Huy, 2006, p. 70). Symbolic management is a set of activities that a firm performs in order to establish itself as a legitimate entity. Symbolic actions can either be verbal or non-verbal behaviour. It could be either an entrepreneur telling a narrative or a story about her/his firm (Lounsbury and Glynn, 2001, p. 549) or it could be a firm gaining some certification that makes it legitimate (Rao, 1994) or some other activity (e.g. CSR activities, participating in trade shows or international conferences) that signals legitimacy. Such accreditations and endorsements create a perception about an enterprise being desirable and appropriate. The symbolic dimension of these actions can make a new venture familiar and credible to key groups (Lounsbury and Glynn, 2001).

The theme 'symbolic management' in this study refers to the actions executed effectively by the entrepreneurs that increase their chances of gaining approval from the stakeholders and increase their chances in getting resources for their projects. Such actions are meant to convey positive social meanings about the venture to the society that helps the society to sense it as a reliable project that they can trust.

Since symbolic actions are mostly tied up with the cultural values and norms so people's perceptions and evaluation would be based on their subjective interpretation but after a while when a venture has acquired at least initial legitimacy, it becomes more of a collective norm and is taken as desirable. These symbolic actions serve as a proof that makes it possible for the society to trust the venture and entrepreneurs.

Theme: ***Symbolic Management***
Description: The idea where entrepreneurs gain acceptance from the stakeholders by performing certain acceptable actions deemed appropriate in the society. For example, getting involved in philanthropic activities or acquiring certifications.
Theory: 'Entrepreneurs are more likely to acquire resources for new ventures if they perform symbolic action' (Zott and Huy, 2006, p. 70). 'To gain and sustain support for novel ventures, entrepreneurs must use symbolic means to signal to resource providers that their venture is feasible and legitimate' (Clarke, 2011, p. 1365). Certification can act as a mechanism that increases the confidence of constituents and thereby enhances an entrepreneur's ability to obtain the resources (Sine, David and Mitsuhashi, 2007, p. 580).
Interview Question/s: N/A
Moving from Findings to Action: How effective the symbolic actions can be in getting stakeholders acceptance and approval? Does the quantity/level of such actions count? How does the personal commitment of an entrepreneur reflect on the project? How does these certifications increase the confidence of the people in the feasibility of an entrepreneurial venture?

The results indicated that the process of going around the world to visit different ports by Sultan and gathering information was itself a symbolic action. Sultan was trying to prove the viability of his idea to the stakeholders that he did his research before he presented it to the government. It reflected his commitment to the project.

Sultan says*, 'Because I was trying to find out for myself. I believed in it. I … many people didn't believe in it, so I said … I can't go the government with no information, so I did my own research. They were interested. Very interested. Because when I spoke to them, I spoke out of knowledge verses speaking out only … reading something about it.'* (IE-CEO-00)

'So now they have tangible information.' (IE-CEO-00)

It indicates the authenticity of the information provided in the report and it shows the effort put in by Sultan indicating his personal commitment to a project.

The results also indicated that the progress of free zone was slow initially as compared to second decade of its operations. JAFZA attracted 500 companies in the first decade. But after getting the ISO certification in 1996, JAFZA made progress by heaps and bounds and the number of companies increased to 1000 in the next 3 years.

'The drive for excellence was first rewarded in 1996, when JAFZA became the first free zone ever to be awarded ISO certification.'

(Jafza, n.da)

The achievement of ISO certification communicated that JAFZA is a sound platform to do business and attracted more companies.

Similarly, the offer of land at very reasonable rates and other incentives were also different forms of symbolic action. It conveyed the government's commitment to the project.

Sultan further says, *'So we use some of the warehouses … unused warehouses, we leased them to companies. We divided the warehouses ... 70000 sq. ft warehouse may be became 8 factory units and as we started to lease land and offices. We started to gain some revenue, which we used to develop it more …'* (IE-CEO-00)

Another JAFZA management participant says*, 'When it was established, there were few resources already available and the largest resource available at that time was land which was offered to the customers at very reasonable rates on long term leases which was very innovative for Dubai at that time because … here we were offering land lease in excess of 20 years to the customers so they could come here and build the facilities themselves.'*

(TLE-JFZ-01)

He further says, *'From free zone perspective, we have continued operating on the same platform which is the lease land for the customers to build on it, we lease offices, we lease warehouses and staff accommodations.'* (TLE-JFZ-01)

Another JAFZA management participant says, *' ... we would give concession on land ... So, this idea would benefit Dubai to diversify the economy (See pg. 284).' (*MM-JFZ-02)

The above quotes indicate that these facilities provided by JAFZA indicate commitment of the corporation. Because the provision of such facilities with a simultaneous constant rise in number of companies can be considered as a symbolic action, as it suggests that the structures in place are operating effectively.

The representatives from JAFZA companies mentioned that they were taken with delegations to trade shows and were engaged in discussions when a new rule/activity was to be implemented. It indicates a symbolic action on JAFZA management's part, as customers/clients feel satisfied and involved when their feedback is taken into consideration in implementation of any new schemes.

One of the company's (founded in 1985) representative says, *'They did invite us a lot of time. We went with them for delegations also. ... [to] India and other places. They do it very professionally. That's why they are full [80% land has been used in JAFZA]. And they got a lot of credibility all around the world.'*

(CC-JFZ-09)

Another company's participant (founded in 1992) says*, 'When they developed a new system for gate pass processing, they tried to digitalize [it], we were the [one of the] first companies to [get] involved in terms of, what are the challenges, how it can be done - in terms of integrating your systems with JAFZA's system.'*

(CC-JFZ-12)

He further says *'The best part - again with JAFZA as I said earlier also is their engagement. Like other places most of the times you need to go and approach authorities. Here JAFZA comes up and say, we are thinking about something, why don't you come and join us. Let's find here a solution together. JAFZA's approach has been inclusive. I mean they want to take the customers inputs and work along with customers, rather than saying, you should go to other ports/boards. OK I am basically from India. It's very tough to get in touch with the authorities, forget about working with them. Here [JAFZA* *customer representative] knows, particularly in the e-commerce that we are talking about, Its JAZFA authorities who came along with customs [Dubai] and everybody -- let's sit together let's find a solution what is the best way of [going digital], Basically, making sure e-commerce can be run smoothly within JAFZA. What are the challenges today? What can be the solutions? The workshop happened, such kinds of things you rarely see outside, because outside [outside JAFZA] it's more like somebody in the ministry coming out with whatever it is, you like it or don't like it. Do it. This is our way [by force]. But JAFZA doesn't do it.'*

(CC-JFZ-12)

Another JAFZA company's (founded in 1992) participant says*, 'Yes. It is a two-way conversation … how this can be resolved in a way to end a process (See pg. 278).'* (CC-JFZ-05)

A representative from one of the JAFZA's company (established in 2002) says, *'Yes, can not say for everything but for major issues. Because since we are one of their key partners, you can say. So, whenever they want to implement something, they do talk to us. They not only talk to us, but they also speak to other major businesses. They take opinions from them and then even when they want to improvement it also, they have a very good way to do it. They come and discuss it out. They meet us … they call us for readings [discussions] over with them.'*

(CC-JFZ-02)

Summary: Sultan's visit to other ports and producing a report to present to the authorities gave an indication that an entrepreneur is abled and knowledgeable. Additionally, JAFZA being awarded an ISO Certification in 1996 sent a stronger signal to the companies about its credibility. Also, the availability of the resources and engaging companies in the discussions on JAFZA's part is a way to redeem itself as a legitimate entity to the world.

12. Outcomes

‘*Performance, success and survival are among the more common operationalizations’* (Yusuf, 2010, p. 326) on which an entrepreneurial outcome is measured. The successful outcome of an entrepreneurial activity sends a signal to the stakeholders and the customers in general that it is a viable entity; an entity that can be trusted since it has shown tangible results. And it becomes easier to diffuse the same blueprint into other fields or contexts based on its first successful attempt. However, if the project fails, then the project might lose legitimacy if appropriate steps are not taken immediately to rectify the issue at the time.

The theme ‘outcome’ in this study refers to the final result/outcome of a project that indicates its success/failure. The positive result indicates the viability of the project. It also indicates that the claims that were made in the start to convince stakeholders in relation to the project were genuine. If the project delivers what was promised to the stakeholders, it builds credibility for an entrepreneur.

Theme: ***Outcomes***
Description: The notion of an institutional entrepreneur being able to deliver a tangible result for the project.
Theory: ‘Performance, success and survival are among the more common operationalizations’ (Yusuf, 2010, p. 326), on which an entrepreneurial outcome is measured. ‘A successful new venture was defined to be a venture that had (1) provided acceptable returns on investment to the founders and investors and (2) met predefined goals and objectives’ (Song, Song and Parry, 2010, p. 132).
Interview Question/s: N/A
Moving from Findings to Action: How does the outcome affect the credibility of the venture?

The findings indicated that the project initially was considered successful when the companies started to move to Jebel Ali Free Zone. It took time but Sultan remained consistent with the promises that he made about the viability of the project and delivered it in the end. The number of companies increased from 19 from its first year of operation to 500 in a decade. Today JAFZA hosts more than 7000 companies that include some very large multinationals. JAFZA was also the first free zone in the world to get ISO certification in 1996 that made its presence trust-worthy in the eyes of the government and the companies.

Sultan says*, ‘Yes of course, the success of JAFZA helped to build other free zones and projects. They are thriving on our successes. Before we started, nobody wanted a free zone, they were scared but they have seen that companies are coming so it started, not only in Dubai but whole UAE.’* (IE-CEO-00)

Another JAFZA management participant says, ‘*That now has been translated into specialized zones so if you see, there is a healthcare city, very sector specific, very focused allows essentially the same kind of platform playing for you. DIFC the financial sector, media city, internet city, again they have continued identifying exploiting those gaps and to fill in those gaps with a very specialized product. And in turn, it's bringing business, it's creating more employment; JAFZA itself has created close to what 9/10% of total of Dubai workforce … has been created by JAFZA alone. So, if you look at all the zones collectively, you are talking about more than probably close to 20% of Dubai working population, which will be originating from these activities so to manage it successfully it has been quite an effort on the part of the government.'* (TLE-JFZ-01)

He further says, ‘*See if free zones have been contributing over the last so many years to almost the 5th of Dubai's GDP. If 5th of this would not have come, maybe some contribution would still have come but it would not have been in the same magnitude. Specially if you look at large multinationals basing their regional establishments over here, here meaning the free zone, elsewhere they could have done it anywhere Jordan, Lebanon, Egypt but here giving that kind of option, that facility, and packing it up with an infrastructure has definitely contributed. So, I don't think so … we could have been where we are in the absence of free zone of this nature … We contribute 21% to GDP of Dubai so obviously we have a significant play in the economic sphere.*' (TLE-JFZ-01)

Another participant from the JAFZA management group says*, 'If you look at whole of the trade values, the whole UAE trade with world is 600 billion dollars per year. 640 or so.Dubai has 340 billion dollars per year from that chunk … that cake so half of the trade comes from Dubai only. 100 billion dollars per year comes from Jebel Ali only. So, we contribute approx. about 1/6 of UAEs trade or 1/3 of Dubai's trade.'* (MM-JFZ-02)

He further mentions, *'It was so successful, and the model was so successful 100%, ownership and so on, the government decided, lets set up other free zones. Each free zone is mandated with attracting a certain industry so then we had internet city, media city, healthcare city, DIFC and so on. Each free zone was looking after something else and that also helped in attracting other institutions.'* (MM-JFZ-02)

'Absolutely. It's a big success for Dubai.' (MM-DIFC-05)

'Definitely. The success of JAFZA had been one of the major reasons for establishing the other free zones. JAFZA currently is home to more than 8000 companies and most of them are fortune 500 companies and they are all big multinationals and they are serving regions all the way from western Africa to China from Dubai. They are serving countries as far as South Africa and Russia from Dubai so if for anything … that is success. And JAFZA is about between 22-25% of Dubai's GDP in its totality. So that is success and definitely that was one of the main reasons that other free zones were established in Dubai and outside Dubai and outside UAE.' (TLE-EZW-03)

In one of the articles in Gulf News, it is reported*, 'Dubai has used the concept of free zones very cleverly to focus on specific business sectors such as finance, technology, aviation, media, logistics and healthcare. Clustering of similar business types is widely accepted to help create strong commercial dynamic, with a coherent marketing message delivered by the relevant master authority on behalf of all occupants. The creation of competition between firms, and resultant consumer choice, is seen to benefit both companies and customers alike. Local examples of this strategy include Knowledge Village and Dubai Academic City – where globally accredited universities have been grouped together to build locations around their proven educational brands. A similar approach, with premium medical service providers, is seen in Healthcare City.'* (King, 2017)

In one of the blogs of Locus Enonomica, it is mentioned, *'It has also been a catalyst for the development of subsequent logistics zones in the UAE, including the Sharjah Airport International Economic Zone (1995), Dubai Airport Free Zone (1996), Dubai Maritime City (2003), and Dubai Logistics City (2006).'* (LocusEconomica, n.d)

The below quotes from the JAFZA's companies' representatives affirms again about the success of JAFZA and its role in the establishment of other free zones.

One of the company's (founded in 1985) representative says, *'JAFZA has become very successful. We have been very successful in JAFZA.'*

(CC-JFZ-09)

Another company's participant (founded in 1992) says, *'That's true. The only point what I'm trying to make is that if one project is successful, it logically gives ... opens the path for other opportunities. Obviously, it gets trust from the people as well.'* (CC-JFZ-12)

A representative from JAFZA's company founded in 1994 says, *'Then we will not be here if no JAFZA.'* (CC-JFZ-01)

The representative from one of JAFZA's company established in 1997 says, *'The success of JAFZA is because of the infrastructure. Because of infrastructure, there facilities providing towards the customer and digitalization, easy way of working business ... that is the thing u know. That is what I think.'* (CC-JFZ-11)

Another company's (founded in 1999) participant says, *'Big part of Dubai success is related to JAFZA because you hear from the elderly, big successful people that 40 years back - When Sheikh Rashid said, I am building a port and people said - What are you doing. Now it's the heart of the whole world actually. So definitely if it weren't there, Dubai would have been still doing the main part in Deira side, Bur Dubai, Ports Rashid side but it wouldn't have such international presence as it has now. I think the total number of companies exceed 10000 now between the virtual and big size companies. So, you don't have any equivalent alternative competitor in whole Middle East. Or let me talk about the Arab world. It's not available.' (CC-JFZ-04)*

A representative from one of the JAFZA's company (established in 2002) says, *'Obviously because if JAFZA had not been successful, I guess, Dubai would not have other free zones, even in Dubai itself.'* (CC-JFZ-02)

A representative from one of the JAFZA's company (established in 2002) says, *'Because the success of JAFZA is itself a witness to, basically, it gives the idea how they have been operating because of their way they're doing their businesses and the way they are looking at improving the country's businesses. It is definitely a proof that they are successful, and they are doing the right thing. Obviously because if JAFZA had not been successful, I guess, Dubai would not have other free zones, even in Dubai itself. In Dubai itself, we have so many free zones. And then almost each and all emirates have these free zones and other parts of Middle East you have also free zones. So yeah …'* (CC-JFZ-02)

The above quotes show that the success of JAFZA made it possible for people to trust the leadership of Dubai with further projects as Dubai currently hosts around 23 free zones.

Summary: Both the groups, JAFZA management and JAFZA companies were in agreement with the fact that JAFZA has become very successful and it is reflected in its contribution to Dubai's total GDP which is almost 21%. And the model of free zone would not have been replicated in Dubai if JAFZA had not been successful.

6.4 Summary

This chapter presented the findings in response to the research questions stated in Chapter 1: Introduction (Pg. 8-9). 'JAFZA', the very first free zone in Dubai, UAE was used as a case for the research study. The interviews from the two participant groups, 'JAFZA management and JAZFA companies', and the secondary resources provided the comprehensive view of the process of establishment of JAFZA. The results identified the patterns from the application of the conceptual framework developed for this study that led to the identification of the themes presented above from the constant and continuous back and forth iterations between empirical observations and the theory.

In summary, the establishment of JAFZA provided Dubai an opportunity to have an exceptional economic growth as today it contributes 21% to Dubai's total GDP. Further, the success of JAFZA led to the development of other free zones in Dubai and the rest of

UAE and Middle East region. Currently, Dubai only hosts 23 free zones. The institutional entrepreneur ‘Sultan bin Sulayem’ introduced the model of a free zone after he visited several ports around the world. The vision of a free zone was seen by Sheikh Rashid bin Saeed Al Maktoum, but Sultan was a person who made free zone a reality and a huge success since he was given the responsibility to head JAFZA. Though the concept of free zone was not new to the world and Dubai was familiar with the notion of custom-free port with Dubai Creek and Port Rashid but JAFZA was the first free zone to be established in Dubai and the entire Middle East.

The results showed that the **intention or motivation** of Sultan, an institutional entrepreneur, to establish a free zone was to bring financial stability to Dubai, as Dubai did not have large oil reserves like its counterparts (Abu Dhabi and other Arab nations). Moreover, Dubai already had a port (Jebel Ali), which was not bringing in much business. Sultan believed that a free zone next to Jebel Ali port with liberal tax policies and 100% ownership for companies would attract companies to bring their business; that would also automatically bring the shipping lines to the port. The idea was to build a complete logistics set up by combining both the port and the free zone where companies can import, r/export and consume/manufacture goods. Sultan gathered information for the project and presented it to Sheikh Mohammad who at the time was the Defence Minister and managing the oil profile of Dubai. The **social position** of Sultan made it easier for him to approach Sheikh Mohammad to present his findings as Sultan belongs from a prestigious merchant family of Dubai and also his father worked as an advisor to Sheikh Rashid. The idea was very close to the **vision** that Sheikh Rashid had envisioned at the time of establishment of Jebel Ali port in 1980 but the free zone did not get set up at that time due to the Iran-Iraq war (**environment**); even though the **geographical location** of the port and free zone provided the same strategic route between East and West for trade and commerce along the Persian coast like Dubai Creek and Port Rashid.

Sheikh Mohammad seemed to **trust** Sultan as a person and in his abilities (due to the family connection) when he presented the information to him and believed in him. Though the idea had some opposition in the beginning from the merchants and advisors around the world because the merchants thought that the companies in free zone would take the business away from them and the advisors believed that Dubai did not need a free zone when there is no action (business) happening at Jebel Ali port. However, the negotiations (**rhetoric**) between the government and merchants went on for a couple of years and the decision to create a free zone was taken. Sultan due to his **social position** (direct link) to Sheikh Mohammad was able to convince the stakeholders about the feasibility of the free zone. The successful **track record** of the leadership of Dubai made people **trust** the free zone project even if they were a bit uncertain about its feasibility.

When the time came to organize the structure of a free zone, the **best practices** from Sultan's report were chosen to devise a strategy to suit the local context of Dubai. The free zone was built on the same tax-free principles as Dubai Creek and Port Rashid. **Incentives** were offered to the companies to lure them to the free zone and people with **skills and knowledge** were hired to be part of the management team under the guidance of Sultan bin Sulayem. These incentives were used as **symbolic action** to make JAFZA attractive to the companies and moreover, Sultan went out of his way to help the first few companies to establish in JAFZA. It took ten years for JAFZA to get an ISO certification, which opened up the path to further success and also the ceasefire of Iran-Iraq war in 1988 helped the business situation; the **environment** became favourable to the business community and the companies started to come to Jebel Ali free zone. Today, JAFZA with its success (**outcome**) proved what it set out to do in 1985 and contributes to one third of Dubai's GDP. And it presently hosts more than 7000 companies from various parts of the world.

The next chapter will present the 'discussion' and elucidate the connection between the above themes against relevant literature. I will revisit the theory of institutional entrepreneurship and legitimacy to discuss the theoretical findings and explore themes further to propose further research into this timely and important topic.

Chapter 7: Discussion and Conclusion

The aim of this research is to explore the relationship between institutional entrepreneurship and legitimacy, focusing on the question, *how is an institutional entrepreneur able to acquire legitimacy for a novel idea in an emerging economy?*

By employing a case-study research design to trace how a change happens in an institutional structure, this study mainly contributes to the institutional entrepreneurship literature. It also generated a set of theoretical findings that addressed the areas of paradox of embedded agency and Baumol's notion of productive and unproductive/destructive entrepreneurship in an emerging economy. In particular, it has attempted to examine the following three theoretical findings: 1) Is it possible to shed new light on resolving the paradox of embedded agency? 2) What are the mechanisms of legitimacy acquisition that an institutional entrepreneur uses to get a novel idea accepted and approved by the internal and external stakeholders? 3) What kind of institutional or ideological preconditions might be necessary for institutional entrepreneurial action to benefit or harm a society in an emerging economy?

This chapter presents the analysis and interpretation of the findings. It provides discussion for this study by addressing the theoretical findings and thoroughly reported empirical evidence with reference to the literature reviewed. This study contains data collected by qualitative research methods using semi-structured interviews (6 management officials and 12 companies of Jebel Ali free zone – Dubai), totaling 18 face-to-face interviews and additional data from several secondary sources.

This final chapter proceeds as follows. The first section sheds new light to resolve the paradox of embedded agency. Section 7.2 discusses the conceptual framework for legitimacy acquisition process in its entirety first and then elaborates different mechanisms (or themes) individually in detail that an institutional entrepreneur in this particular case uses to acquire legitimacy. Section 7.3 sheds light on the notion of Baumol's productive and unproductive/destructive entrepreneurship in relation to an institutional entrepreneurial activity in an emerging economy context - Dubai. Section 7.4 summarizes the key points of theoretical and empirical contribution to the literature. Lastly section 7.5 concludes the chapter by addressing the limitations of the study with suggestions for future research.

7.1 Institutional Entrepreneurship - Paradox of Embedded Agency

First Theoretical Finding – Resolvable: Paradox of Embedded Agency
Is it possible to shed new light on resolving the paradox of embedded agency?

This section discusses the first theoretical finding asking, *Is it possible to shed new light on resolving the paradox of embedded agency?* It presents the interpretation of findings about the phenomenon of institutional entrepreneurship, particularly aiming at solving the still unresolved paradox of embedded agency.

DiMaggio (1988) reinforced the phenomenon of institutional entrepreneurship by bringing back agency and interest into institutional theory, first brought to attention by Eisenhardt (1980). Institutional entrepreneurship bridged the gap between old and new institutionalism by emphasizing on the role of agency in an institutional change. Earlier texts had failed to fully conceptualize the interaction between actors and structures and '*considered actors and their agency to be subordinate of the institutions'* (Abdelnour, Hasselbladh, and Kallinikos, 2017, p. 1775-1776). The notion of institutional entrepreneurship provided a justification for how a change in institutional logics occurs and how actors, also referred to as change agents, modify the existing structures and introduce new arrangements into an institutional structure.

The case study, establishment of Jebel Ali free zone (JAFZA), is an example of institutional entrepreneurship in Dubai, UAE. In line with the previous work (DiMaggio, 1988; Beckert, 1999; Greenwood and Suddaby, 2006; Garud, Hardy and Maguire, 2007), the findings revealed that the establishment of JAFZA was a process of breaking away from the prevailing institutions and bringing in new alternative arrangements to the context of Dubai. Dubai follows the religion Islam, which is reflected in its constitution as well. The legal and regulatory framework of federation UAE, being an Islamic country, is principally based on Islamic Sharia Law with elements mostly taken from Egyptian and French Law. However, the Islamic principles are only applied to marriage and inheritance issues for Muslims whereas the market procedures follow the civil law jurisdiction.

The commercial world was skeptical about the business procedures functioning in Dubai mainly due to two reasons. Firstly, the commercial world believed the procedures operating in Dubai and rest of the UAE to be completely distinct from what they were familiar with, even when the UAE constitution was largely based on Egyptian and French laws. The institutional entrepreneur, Sultan bin Sulayem, in the case of JAFZA defined this point as,

> *'There is a misconception about Sharia law. In UAE, Sharia applies to only two matters: Inheritance and marriage and divorce [for Muslims only] ... So, except for these two matters, there is no other [area] … Sharia does not apply at all [in any other area]. So basically, Dubai uses common law … exactly [as it is used anywhere else] – [for example, in] the banks, the insurance companies. It [Sharia law] wasn't a problem at all.'* (IE-CEO-00)

Secondly, Dubai had a Kafil system implemented where a local sponsor (UAE national) as a partner was a requirement to open up a business in Dubai and rest of UAE at that time. The local sponsor was entitled to 51% shares of the business, which was not looked upon favourably by foreign companies, also acknowledged by Sulayem as he states,

> *'And the law of having 51% local partner was not attractive to businessman. And so, we [I.E and the government] saw a need, a niche and we filled it.*' (IE-CEO-00)

The free zone JAFZA emerged on the map of Dubai in 1985. JAFZA was one of the means for economic diversification in Dubai, in order to complement the port activities of Jebel Ali port. JAFZA was established chiefly to bypass the policies prevalent in the mainland Dubai. The idea was to clear the misconception about market procedures of Dubai and make the companies feel secure and confident about doing business in Dubai. The main distinction between mainland Dubai and JAFZA was elimination of the Kafil system within the free zone boundaries and promoting it as a territory based on international market laws, essentially just eliminating the word 'Islamic' or 'Sharia' as the business procedures in Dubai were always largely based on Egyptian and French laws and not on Islamic laws. Hence, JAFZA was setup with the rules and regulations in accordance with the international market standards and norms with which the rest of the world was well acquainted; no local sponsor; and a number of other incentives (described in detail in Chapter 5: History) offered to the firms. It made JAFZA an attractive site for commerce and trade as it offered a free zone with numerous incentives (see Chapter 5: Section 5.3) next to a tax-free port at a strategic location in the Persian Gulf. Thus, this finding supports the phenomenon of institutional entrepreneurship where the institutional entrepreneurs change or alter the existing structures and introduce new set of arrangements for their institutional entrepreneurial activity (DiMaggio, 1988).

As mentioned above, an institutional change is typically considered to be a process of de-institutionalization and re-institutionalization where the institutional entrepreneurs make modifications to the existing structures and come up with the new ones that replaces the previous institutional structure (Seo and Creed, 2002; Greenwood and Suddaby, 2006). However, the case of JAFZA is distinct in a way that there wasn't any de-institutionalization in this specific case if taken in isolation (Nasra and Dacin, 2010). JAFZA with a free zone institutional logic was an addition to the existing institutional structure of Dubai as a separate entity on its own where the internationally approved and known free zone procedures with no condition of local sponsor were implemented. And the existing institutional structure remained undisrupted and unchanged in the mainland Dubai outside the free zone boundaries. I believe that there was some readjustment seen in the informal conditions, as the local residents of Dubai had to accept the fact where they no longer were needed as sponsors. At the same time, the merchants operating from Port Rashid had to get used to the idea of shifting/relocating to Jebel Ali port. Hence, JAFZA seems to be a case where there was no de-institutionalization at the formal institutions level, but a shift was seen in the norms with reference to local residents and merchants of Dubai.

The notion of institutional entrepreneurship provides plausible explanation for how a change occurs in any institutional structure, but it faces criticism on over-emphasizing the power of agency in bringing change while neglecting the institutions.
It is still unclear how actors are able to alter or transform institutional structures when they themselves are conditioned by these very same structures that guide their behaviour in terms of rules, norms and values etc. This discrepancy *'alludes to the classical debate on structure versus agency, which implies that actors are somehow able to disengage from their social context and act strategically to change it'* (Leca, Battilana, and Boxenbaum, 2008, p. 4) Proponents of structure rely on the ability of structures to

orchestrate human behaviour with a focus on stability and continuity of institutions portraying actors as cultural dopes (Hirsch and Lounsbury, 1997a; 1997b). That is, individuals are considered more as passive actors with institutions being dominant in directing the individuals' behaviour. Whereas proponents of agency emphasize on agency's role in bringing change to existing institutional arrangements favouring agency over structure. That is, individuals are considered more as active actors in initiating the change independent of the institutions influence. This debate of structure verses agency also referred to, as '*paradox of embedded agency*' is an on-going argument, as still no clear resolution exists. Garud, Hardy and Maguire (2007, p. 961) defined this argument more clearly and succinctly as '*if actors are embedded in an institutional field [...] how are they able to envision new practices and then subsequently get others to adopt them? Dominant actors in a given field may have the power to force change but often lack the motivation; while peripheral players may have the incentive to create and champion new practices, but often lack the power to change institutions.'*

Various perspectives (Chapter 2: Section 2.4.1) have been offered in an attempt to explain the aforementioned theoretical puzzle – the paradox of embedded agency that how these actors are able to bring change to an institutional structure when these same institutions direct their behaviour. These perspectives are categorized into four types before defining the approach that the current study has taken in order to resolve the paradox of embedded agency.

The first approach '*institutional contradictions'* talks about embedded actors being exposed to new institutional logics by the changes in market forces (Greenwood and Suddaby, 2006); or the entry of new actors into a focal field being part of more than one field (Smets, Morris, and Greenwood, 2012; Zeitsma and Lawrence, 2010) which enables these actors to bring change in an institutional structure; or the change is explained based on different qualities of social structures (Englund and Gerdin, 2018). Overall, this approach is based on fuzzy boundary logics that allow institutional contradictions to emerge resulting in institutional change. Another view '*individualistic agency'* talks about the capabilities of embedded actors being able to act as change agents. The actors in the field use reflexivity to reflect on her/his position in a field (Reay, Golden-Biddle and Germann, 2006) that helps to recognize an opportunity; or it might be the perception of the field or access to the resources contingent to the social position enabling her/him to bring institutional change (Battilana, 2006). But it can be argued that the embedded actors do not get any advantage by altering the pre-set structures, as they are the considered to be the privileged actors of the respective field than the peripheral or non-embedded actors (Greenwood and Suddaby, 2006). The third approach '*dialectical perspective'* talks about the structure and agency as complementing forces where institutions are the outcomes and frames of actions (Giddens, 1984; Seo and Creed, 2002; Berger and Luckmann, 1967; Holm, 1995). It claims that actors also have a role in reproducing, forming and shaping these same institutions before they become a norm and taken as for-granted belief. The fourth approach *'critical realist'* explains the paradox of embedded agency based on the non-conflation view of structure and agency (Leca and Naccache, 2006). It considers agency and structure as two distinct but related entities that possess *'emergent properties, casual efficiency and a previous existence'* (p. 629). Actors have reflexivity and use the causal powers of structures to reproduce or create them. However, they might not be aware of all the casual powers of the structures and use only the logics that they have knowledge about or can get support of the allies to bring change. The authors suggest that *'should not try to reach a situation of institutional dis-embeddedness that is impossible, but rather to gain knowledge of the different institutional logics that can be mobilized and their causal powers in the specific context in which they are operating'* (p. 644). Table 7.1 below list different types of paradox of embedded agency.

Table 7.1: Types for Paradox of Embedded Agency

	Title	Author(s)	Key Features	Resolution
Institutional Contradictions	Institutional entrepreneurship in mature fields: The big five accounting firms	Green and Suddaby (2006)	- Uses network location theory and contradiction theory - Centrally embedded actors - Highly institutionalized field	Boundary bridging and Boundary misalignment encourages these actors to bring institutional change
	Institutional Work in the Transformation of an Organizational Field: The Interplay of Boundary Work and Practice Work	Zeitsma and Lawrence (2010)	- New actors with new logics into a focal field - Boundary work and Practice work	Heterogeneous forms of agency: - Habitual - Practice - Projective
	From practice to field: a multilevel model of practice-driven institutional change	Smets, Morris and Greenwood (2012)	- Collision of local practices - Pressure to get the deal done on time else lose legitimacy	Practice-driven approach that occurs alongside rather than after the emergence of new practices
	Management accounting and the paradox of embedded agency: A framework for analyzing sources of structural change	Englund and Gerdin (2018)	- Social structures as a part of agents' knowledge of how to go on and exist only to the extent that they are continually reproduced by those agents … such reproduction is nevertheless inherently non-deterministic. - Qualities of social structures as sources	GIAMER framework based on quality of social structures

Individualistic	Legitimizing a new role: Small wins and micro-processes of change	Reay, Golden-Biddle and Germann (2006)	- Embeddedness as an opportunity rather than a constraint - Slow and gradual diffusion avoiding conflict with local practices	Micro-processes: - Cultivating opportunities for change - Fitting a new role into prevailing systems - Proving the value of the new role
	Agency and Institutions: The Enabling Role of Individuals' Social Position	Battilana (2006)	- Individual-level conditions that helps to assess and recognize opportunities	Social status as an enabling condition of institutional entrepreneur
Dialectical	Institutional contradictions, praxis, and institutional change: A dialectical perspective	Seo and Creed (2002)	- Dialectical framework - Institutional contradiction sources - Mobilize collective action	Human agency – praxis, a political action for institutional change, which is conditioned but not determined by social arrangements
	The dynamics of institutionalization: Transformation processes in Norwegian fisheries	Holm (1995)	- Nested system perspective - Actions, intentions and rationality of the actors are all conditioned by the same institutions that they wish to change.	Interaction of practices, ideas and interests as feedback processes shape the institutions
	The Social Construction of Reality	Berger and Luckmann (1967)	- Social interactions when repeated repeatedly becomes a pattern - Shared understandings of institutions.	Socially constructed world where actors' by-products of institutions and at the same time actors also create institutions.

	The Constitution of Society: Outline of the Theory of Structuration	Giddens (1984)	- Social structures do not reproduce themselves. - It is the agents who adopt practices that become routinized over time and space as agents carry them out over and over again and it becomes a norm.	Structuration theory where structure and agency presuppose each other
Critical Realist	A Critical Realist Approach to Institutional Entrepreneurship	Leca and Naccache (2006)	- A non-conflation institutional theory - agency and strcuture are two distinct but related entites and possess *'emergent properties, causual efficiany and a previouse existence'* (p. 69)	Domain of institutional logics, institutions and experiences

These above approaches explain institutional change in an attempt to avoid the criticism that emphasizes the role of agency over structures. Despite of all these descriptions, no consensus has been reached yet and the paradox of embedded agency still exists. I believe that this theoretical puzzle needs a resolution that can keep the integrity of both the views intact without negating the notion of structure or agency as Battilana, Leca and Boxenbaum, (2009, p. 73) states that an ideal resolution would be that can '*travel the difficult road that passes between a rational choice model of agency on one side and structural determinism on the other.'*

I offer a different insight to resolve the paradox of embedded agency in the proposed conceptual framework (See chapter 4: Conceptual Framework) of this study by not overly focusing on either agency or structure. An attempt is made by teasing out the process of institutional entrepreneurship into its separate elements – innovation and legitimacy acquisition that explains institutional change and the embedded agency involved. I propose that the paradox of embedded agency is resolvable by unlocking the process of institutional entrepreneurship into innovation and legitimacy acquisition where the act of innovation is completely distinct from the process of acquiring legitimacy. And embeddedness is considered as a property of an institutional entrepreneur that helps her/him to acquire legitimacy. It is significant for legitimacy acquisition or at least internal legitimacy[108] but is not crucial to innovation. In other words, embeddedness can facilitate an entrepreneur to acquire approval from the stakeholders but is not a requisite for thinking entrepreneurially. Hence, I define embeddedness as – *an enabling condition for an institutional entrepreneur, nested in the system, which facilitates her/him to acquire internal legitimacy at minimum*.

Embeddedness though has been discussed earlier in the literature as one of the enablers for an institutional entrepreneurial action as it helps an institutional entrepreneur to have a better understanding of her/his field (Leca, Battilana and Boxenhaum, 2008) and most importantly to get initial approval and resources from the stakeholders. The dissertation's findings revealed that the key institutional entrepreneur – Sultan bin Sulayem – who

[108] I introduced internal legitimacy in my framework as a legitimacy acquired from stakeholders (government or resource providers) and members (employees). However, any project would need initially legitimacy from the government or resource providers only to set the project in motion.

served as a change agent in this study was embedded[109] in the society and the organization, Jebel Ali port; Sultan held a position as a custom trainee at the Jebel Ali port and was directly associated (due to family connections) with Sheikh Mohammad – the son of the ruler (Sheikh Rashid: r1958-1990) of Dubai of that time. The below quote from the book, *The United Arab Emirates: Power, Politics and Policy-Making* sheds light on the close relationship of Sultan with Sheikh Mohammad indicating Sultan's embeddedness in Dubai's society.

> *'Sultan bin Sulayem was a child-hood friend of Dubai Ruler, Sheikh Muhammad bin Rashid Al Maktoum …, who ruled Dubai from 1958 and 1990 (See pg. 254).*' (Ulrichsen, 2016, p. 31)

Another quote mentions that he was hired in 1981 to work at the Jebel Ali port when he came back after completing his studies.

> *'Sheikh Mohammad ended up hiring him in 1981 to run Jebel Ali port, which had just opened.'* (Gupte, 2011, p. 201)

Along with Sultan being an embedded actor, it can be argued that Sultan had an entrepreneurial mind-set as it allowed him to envision a new chapter for Dubai. The chance meeting of Sultan with a random visitor at Jebel Ali port instigated him to come up with an idea of a free zone that reflects his creative and proactive behaviour. It indicates the ability of Sultan to recognize opportunities in an uncertain situation (Vuuren and Dhliwayo, 2007) since searching and pursuing opportunities and being focused on the execution of these opportunities are identified as some of the characteristics of an entrepreneurial mind-set (McGrath and MacMillan, 2000).

> '*Bin Sulayem was enticed by the idea. So, during one summer vacation he bought an around-the-world plane ticket and flew to wherever free zones were popping up - Hong Kong, South Korea, Singapore, Taiwan, Honolulu, Dallas, New York. When he came back, he was so convinced that this was the key to Dubai's success.'* (Gimbel, 2008)

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[109] Sultan was more deeply embedded in the society (due to his informal social status) than the organization (employed at an entry-level at Jebel Ali port).

Sultan credits Sheikh Mohammad for the entrepreneurial decisions taken for Dubai mostly as the article in The Guardian reports,

> *'[Sultan]I learned a lot from him. He's a man who makes a decision, a good decision, very quickly. I am optimistic and I learned that from him. I used to worry.'* (The Guardian, 2006)

However, Sultan bin Sulayem also has always been described as an exceptional and visionary leader as he was part of advisory committee to Sheikh Mohammad (r2006-present) responsible for the Dubai's successful financial expansion.

> *'Outsiders say that the businessman is being modest. They say the sheik's successful financial expansion has been possible because of three key advisers, including bin Sulayem.'* (Timmon, 2006)

It suggests that Sultan had an ability to think out of the box. The creative thinking of an entrepreneur does not typically end with the initial innovative idea, it is also seen in the later implementation and business challenges that one has to face in order to complete the project (Senges, 2007) as it took a couple of years of negotiations for Sultan to convince the authorities initially.

The merchants were not in agreement with the project when Sultan first presented the idea of a free zone. They thought that the foreign companies would take their business away. Sultan mentions in his interview regarding the merchants' concern[110] as

> *'They [merchants] said, if you bring foreign people, they will take our business away. That was the concern.'* (IE-CEO-00)

The history of Dubai indicates that Dubai has always been known for involving locals and businessmen in a form of informal meetings - Majlis when decisions were made. The government kept the local merchants and businessmen close and used to take their advice into consideration on different matters. It was a give and take relationship where both

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[110] The decision-making strategies is outside the scope of study as the researcher was not privy to the inside details of Ruler's Majlis and discussions. Moreover, the study is looking at mechanisms to gain legitimacy such as trust, social position etc.

merchants and the government benefitted that emerged from guiding and sharing the responsibility of society's development. However, Dubai being a monarch state, the head of the state has a final word in all of the state decisions and a direct link with one of the members of the ruling family opens many doors. The government of Dubai supported Sultan's idea and had confidence in his abilities; the merchants reluctantly agreed since the government had quite a successful track record.

This indicates how deeply Sultan was embedded in the society at a personal level (close connection with Sheikh Mohammad) and at a professional level (Jebel Ali Port)[111]. Sultan's embeddedness in the society gave him an ability to be able to directly access and talk to the higher authorities for his project that might not have been possible for a non-embedded actor. It paved the path for Sultan to influence the leadership of Dubai and eventually to get resources and approval initially needed for the project as Maguire, Hardy and Lawrence claims that institutional entrepreneurs with a particular interest are able to *'leverage resources to create new institutions or to transform existing ones'* (2004, p. 657). Therefore, the social standing gave Sultan an added element of embeddedness that helps institutional entrepreneurs to bring about change (Battilana, 2006). However, the level or depth of embeddedness might also affect institutional entrepreneurial efforts. If an institutional entrepreneur is highly embedded in a field, for example, like Sultan then it is likely to be easier for such an actor to acquire resources as compared to one who is not a highly embedded or a non-embedded actor (Greenwood and Suddaby, 2006).

This indicates that embeddedness serves as a property that facilitates individuals to act as institutional entrepreneurs and acquire initial resources and approval for their projects. The access to the higher authorities, resources and the approval of the key stakeholders who also serves as gatekeepers to the resources is translated into '*internal legitimacy'* [112] for an institutional entrepreneurial activity. In other words, embeddedness can help an

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[111] Though Sultan was not that deeply embedded in the organization but his social status as a local and close association with Sheikh Mohammad gave him leverage in his work position. It can be argued that he was a favored person in the organization, as people knew about his connection to the ruling family.

[112] I use internal legitimacy referring to stakeholders and members (employees) of an organization and external legitimacy referring to the society.

entrepreneur to acquire internal legitimacy at least from the stakeholders of the field/organization where s/he intends to bring change.

To explain further how embeddedness is distinct from an innovative act and not crucial to innovation, I propose that successful institutional entrepreneurship is a conflation of creative innovation and legitimacy acquisition, as innovation (institutional change) needs to get accepted (legitimated) by the internal and external stakeholders before it is called ‘successful institutional entrepreneurship’. Innovation is one part of an institutional entrepreneurial action, which the literature has merged with acquisition of legitimacy. In other words, creative innovation and legitimacy acquisition corresponds to two different aspects – ‘creativity’ of an entrepreneur to be able to vision something new and ‘capability’ of an entrepreneur to acquire legitimacy. Contextual embeddedness though facilitates institutional entrepreneurs to acquire internal legitimacy, but the context does not make an individual innovative. Individuals only who have the cognitive properties to identify and exploit opportunities can make it happen (Shane and Venkataraman, 2000) where the knowledge of context complements the innovative activity. So, if we tease out these two components of institutional entrepreneurship then we can see that embeddedness only helps in comprehending the context better. It does not automatically translate into creative innovation since creativity is considered to be one of the traits of an entrepreneur enabling her/him to think innovatively and identify an opportunity. Therefore, embeddedness as a property of an institutional entrepreneur facilitates her/him to acquire legitimacy or atleast internal legitimacy from the stakeholders but it is not a prerequisite to innovation.

It further implies that embeddedness might be a pre-condition to be able to acquire legitimacy but definitely not a mechanism. A mechanism, for example, might be trust, power, authority, political negotiation or rational discourse to win over the stakeholders, serving as initial gatekeepers of the resources. So, embeddedness is not a mechanism on its own, but it is a property that would allow an institutional entrepreneur to be able to use one of several available mechanisms to acquire legitimacy.

The findings affirmed the above notion that the institutional entrepreneur Sultan initially came up with an innovative idea of establishing a free zone with a different institutional logic than the one already operating in mainland Dubai. The idea that Sultan envisioned and brought to the surface to discuss with the authorities was just an innovative idea without execution that had not acquired either internal or external legitimacy yet. The innovation in the case of JAFZA was transplanting the idea of a free zone from other contexts into the local context of Dubai minus the agency law This indicates that creative innovation [idea of JAFZA] is a separate activity from legitimacy acquisition and embeddedness did not play any part in the creativity process other than for Sultan to grasp the background better. In other words, embeddedness was not essential to institutional innovation (JAFZA) that is, for Sultan bin Sulayem to think entrepreneurially.

To consider JAFZA as successful completely, it had to acquire legitimacy from both the internal and external stakeholders[113]. The internal legitimacy refers to the approval from the stakeholders who provide initial acceptance and resources for the project and members who become employees of the organization in the later stage when the venture starts operating. And the external legitimacy refers to the wider public in general who approve or disapprove of the idea.

In other words, JAFZA project when initially rolled out into the market had acquired internal legitimacy (discussed above) only from the stakeholders who gave the green light for the project to start off. It further implies that embeddedness here facilitated Sultan to approach the authorities directly and convince them by using different possible mechanisms (discussed in detail in the next section), as it would not have been possible to approach the leadership of Dubai directly if Sultan were not a highly embedded actor. Subsequently, JAFZA acquired internal legitimacy from its members (employees) and external legitimacy from the society only when it started showing positive outcomes in a form of influx of companies establishing their presence in JAFZA and contributing to Dubai's GDP growth. It implies; JAFZA as an institutional entrepreneurial action was considered successful only when it acquired internal legitimacy from the stakeholders and members and external legitimacy from the society, which was distinct from the act of innovation (i.e. the creative idea that Sultan envisioned). Hence, successful institutional entrepreneurship is a conflation of [act of] innovation and [acquired] legitimacy where creative innovation and acquisition of legitimacy – are completely two distinct acts independent of each other.

[113] The internal legitimacy corresponds to internal stakeholders and external legitimacy corresponds to external stakeholders.

Therefore, this finding suggests that the paradox of embedded agency is resolvable by considering both the acts – innovation and legitimacy acquisition – of successful institutional entrepreneurship separately, where embeddedness assists an institutional entrepreneur to acquire at least internal legitimacy but is not critical to creativity or the act of innovation. Consequently, embeddedness is not a mechanism for acquiring legitimacy but just a condition likely to aid in acquiring legitimacy for a novel innovation.

The next section discusses the legitimacy acquisition process and individual mechanisms in detail that an institutional entrepreneur uses to acquire legitimacy from both the internal and external stakeholders.

7.2 Mechanisms to Acquire Legitimacy

Second Theoretical Finding – Mechanisms to Acquire Legitimacy

What are the mechanisms of legitimacy acquisition that an institutional entrepreneur uses to get her/his novel idea accepted and approved by the internal and external stakeholders?

This section discusses the findings for Second Theoretical Finding asking, *What are the mechanisms of legitimacy acquisition that an institutional entrepreneur uses to get her/his novel idea accepted and approved by the internal and external stakeholders*? It presents the discussion of findings about legitimacy acquisition in general and the various ways that an institutional entrepreneur (embedded) uses to gain legitimacy at different stages of the legitimacy acquisition process.

This section has two parts. Initially, the empirical case of JAFZA is described in its totality how JAFZA was established and became a successful innovation over time. This part only describes the flow of legitimacy acquisition process in terms of different phases (and mechanisms) that an institutional entrepreneurial activity has to go through to get validated and accepted completely. The legitimacy mechanisms that an institutional entrepreneur Sultan bin Sulayem uses in the case of JAFZA are highlighted (bold and italics) in the text. The later section then describes these mechanisms individually in detail with relevance to the literature.

Legitimacy is generally stated as '*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*' (Suchmann, 1995, p. 20). A potential institutional change, in order to be considered as successful, needs to acquire legitimacy with both the internal and external stakeholders where internal stakeholders refer to resource providers and employees of an organization and external stakeholders refer to society in general. An institutional entrepreneurial activity becomes approved and accepted once it has acquired both internal and external legitimacy[114]. Legitimacy helps any new (institutional) entrepreneurial activity to overcome its liability of newness (Stinchombe, 1965) and gain societal acceptance. It serves as a critical element that enables an organization to survive and grow in the long run.

Organizations use several tools/methods to gain and maintain legitimacy, which have been brought together into different typologies (e.g. Suchman, 1995; Zimmerman, 2002; Aldrich and Fiol, 1994). These typologies have been termed differently even though they share almost similar meanings. However, the current research uses a straightforward approach to avoid confusion between terminologies and their meanings, and simply describes these tools/methods as mechanisms that organizations adopt in order to gain legitimacy. The possible mechanisms mentioned in this study are taken from the literature and depict the empirical case of an embedded institutional actor. But there might be other legitimacy mechanisms available that organizations use but were not found in the current empirical case, hence not discussed here. Moreover, the order in which these mechanisms are organized reflects the steps that an institutional entrepreneur Sultan took to kick-start the project JAFZA from scratch in order to gain approval from the stakeholders and then the society. The stakeholders in the current study (as mentioned earlier) have been differentiated into internal and external stakeholders so different mechanisms at different stages of legitimacy acquisition process would come into play depending on to which kind of stakeholders it is aimed at.

The next section portrays the JAFZA legitimacy acquisition process of JAFZA in a snapshot and interprets different mechanisms being used by an institutional entrepreneur at different stages. The proposed framework (discussed in Chapter 4: Conceptual

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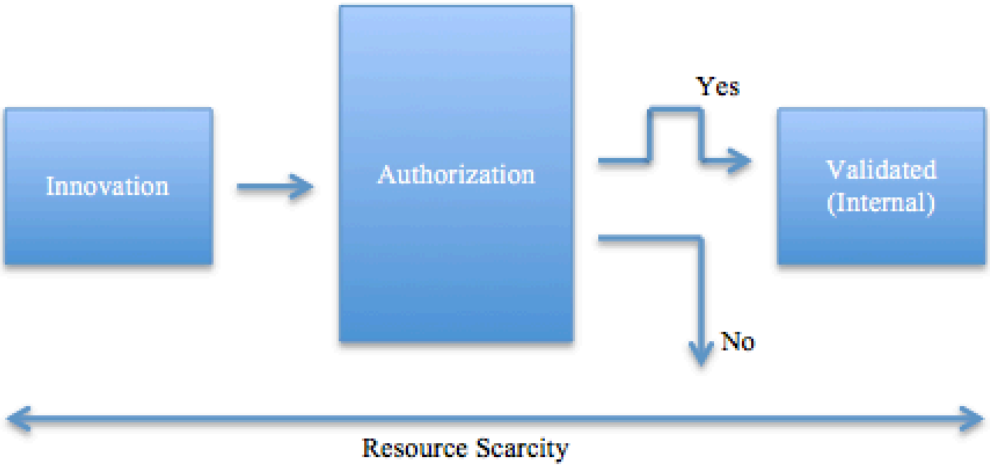
[114] Internal legitimacy refers to legitimacy acquired from internal stakeholders and external legitimacy refers to legitimacy acquired from external stakeholders.

Framework) for legitimacy acquisition is explained below that comprises of two phases: Phase 1 deals with internal legitimacy that refers to stakeholders and members (employees) of the organization and Phase 2 deals with external legitimacy that refers to the society in general.

Figure 7.1a: Phase I



Phase 1: Stage 1 – Innovation: It refers to the stage when an institutional entrepreneur thinks out of the box and come up with a creative and novel idea. The institutional entrepreneur Sultan ***envisioned*** a free zone next to Jebel Ali port when a random visitor to his office suggested that tea might be good commodity to trade to stimulate business at Jebel Ali port since it is a commodity heavily used in that region. Since Sultan was working as a customs trainee at the port, the embeddedness element provided him to understand the context better. Sultan seized the opportunity and went around the world to visit various ports looking for the possibilities that could be applied at Jebel Ali port. The main ***intention/motivation*** behind Sultan's proposed idea was to bring economic stability to Dubai since Dubai had not fared well in oil reserves as compared to its neighbouring states and the port movement at Jebel Ali port was slow.

Phase 1: Stage 2 – Authorization: It refers to the stage where institutional entrepreneurs need to get their innovative ideas authorized from the officials in order to execute them. Here, the '*authorization*' refers to the legitimacy obtained from internal stakeholders (officials or government that approve the idea and resources). Sultan proposed the idea of a free zone to the leadership of Dubai since he had an easy access to the royal family due to the ***social position*** based on his family connections. He based his report on the information that he gathered from his visit to several ports around the world. During the argumentation and negotiation ***(rhetoric)*** stage, he tried to convince the leadership of Dubai and the merchant community[115] by building on the fact that the ***environment*** (i.e. geographical location) provided a strategic route between East and West for trade and commerce along the Persian coast. Additionally, they can provide an ***environment*** (based on international rules and standards) with which the western world was familiar to boost business activities. Sultan proposed to use the ***best practices*** of the world ports that were catered to their local context. Sheikh Mohammad, who was the Defence minister and managing the oil profile of Dubai, seemed to ***trust*** Sultan and his abilities because of the direct link **(social position)**, as Mohammad knew Sultan informally. The merchant community though was bit doubtful in the beginning about the project but since the project was backed by the Dubai government that they ***trusted*** in, therefore they got convinced based on their judgement of the previous successful ***track record*** of the Dubai government. Acquiring approval from the merchant community and the government meant that it gained internal legitimacy from the stakeholders and was ready to be executed. Else if the government and the merchant community had not reached a positive consensus here, the idea of JAFZA would have been discarded.

The enabling condition of an institutional entrepreneur – *embeddedness* – plays a major role in the first phase – both '*Innovation*' and '*Authorization*'. It helped Sultan to understand the context better and facilitated to convince the stakeholders to acquire internal legitimacy and further helped him to acquire resources for the project. Figure 7.1b illustrates the above discussion.

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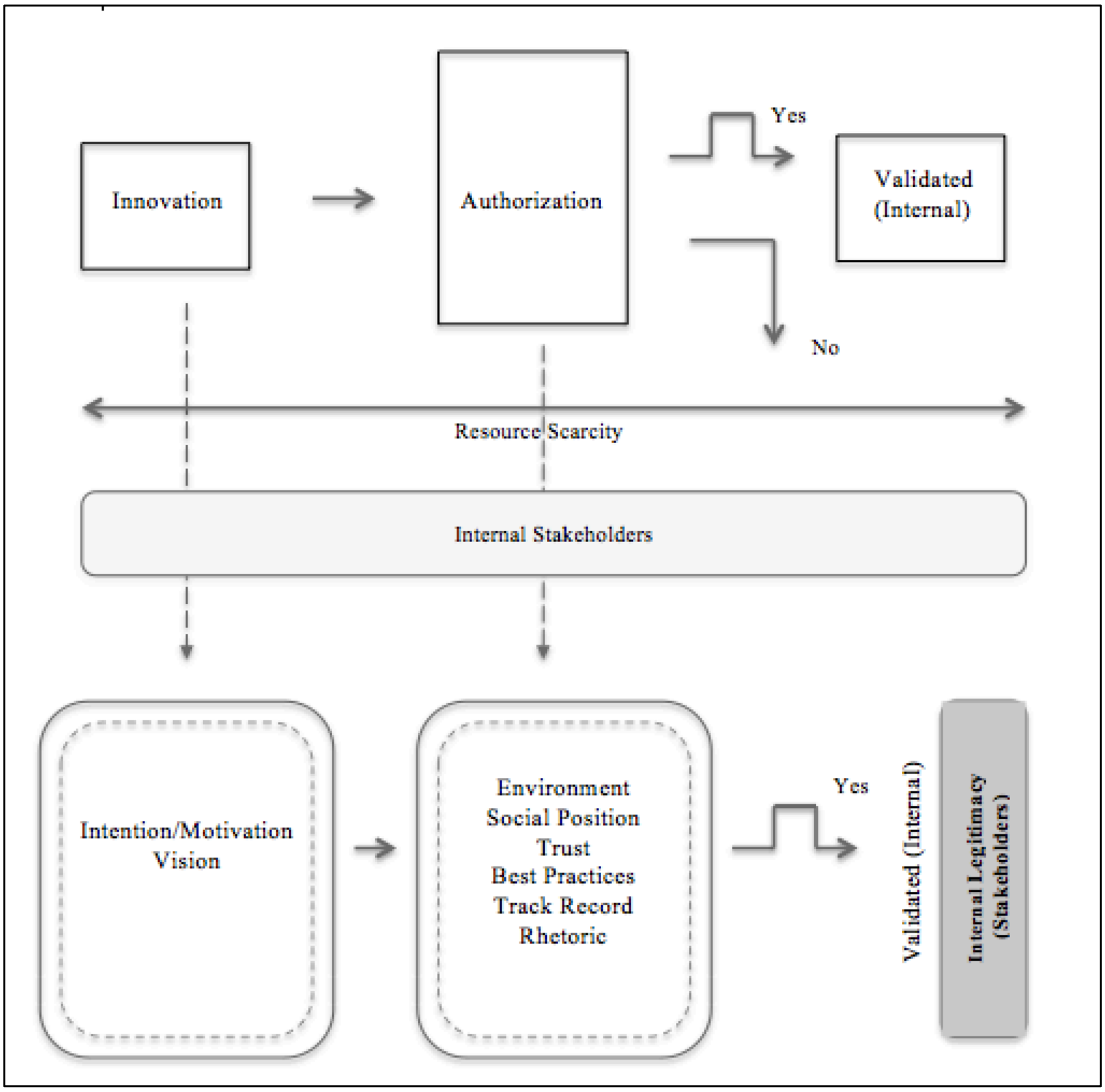
[115] The merchant community had always been significant to trade and business in Dubai and were part of ruler's Majlis where the ruler used to take advise from these merchants.

Table 7.1b: Phase I (Expanded)

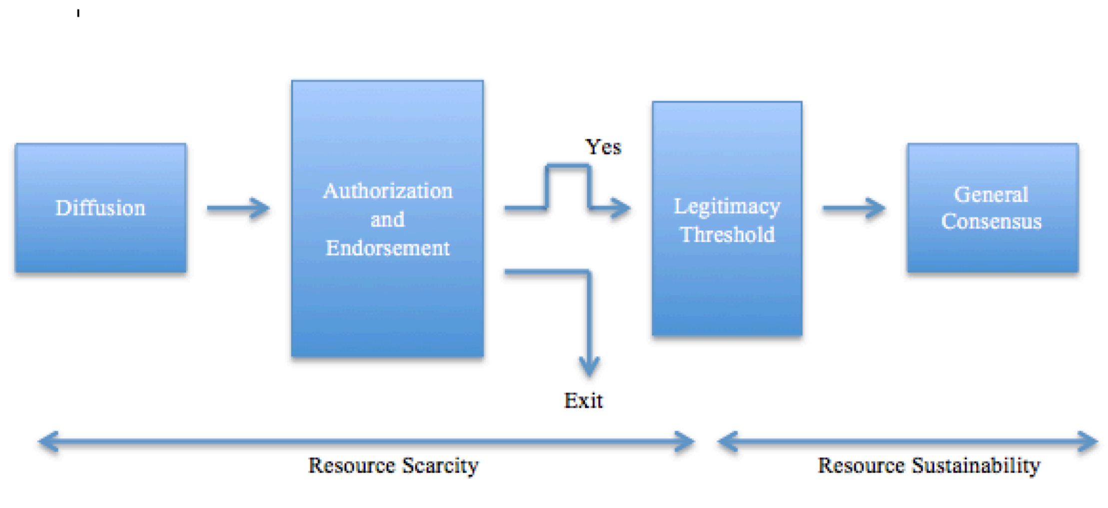


Phase 2: Stage 1 – Diffusion: It refers to a stage when a project is ready to be rolled out into a market. Once Sultan got the approval from the stakeholders; it became ready to be implemented for the mass population. This stage involves the concerned stakeholders, members of an organization and general population. Here, the '*authorization'* refers to the legitimacy obtained from internal stakeholders and '*endorsement*' refers to the legitimacy obtained from the members and general population. Sultan had to prove to the stakeholders that he could deliver what he promised. He implemented the ***best practices*** in terms of rules, procedures, practices employments standards, organizational values and atmosphere within JAFZA which conformed to the wider environment tailored to the

local context. People with ***skills and knowledge*** were employed to manage the free zone under the directive of Sultan. Various ***incentives*** were offered to the companies to open up their businesses in JAFZA. These incentives served as ***symbolic management*** for the companies to look at JAFZA as an attractive location for trade. Moreover, people believed in JAFZA as the Dubai government, which already had a proven track record due to many successful projects under its belt, backed the project.

In the early years, Sultan was the first point of contact for the businesses to reach and he was able to persuade ***(rhetoric)*** businesses to locate to JAFZA, later bringing in more established firms to JAFZA. It took ten years for JAFZA to get its first ISO certification in 1996, which also served as a part of ***symbolic management***. At this point, JAFZA had grew from 19 companies to 500 companies in a span of 10 years that indicated positive contribution to Dubai's economy which served as a positive ***outcome*** making people and the stakeholders confident of JAFZA.

Figure 7.1c: Phase II

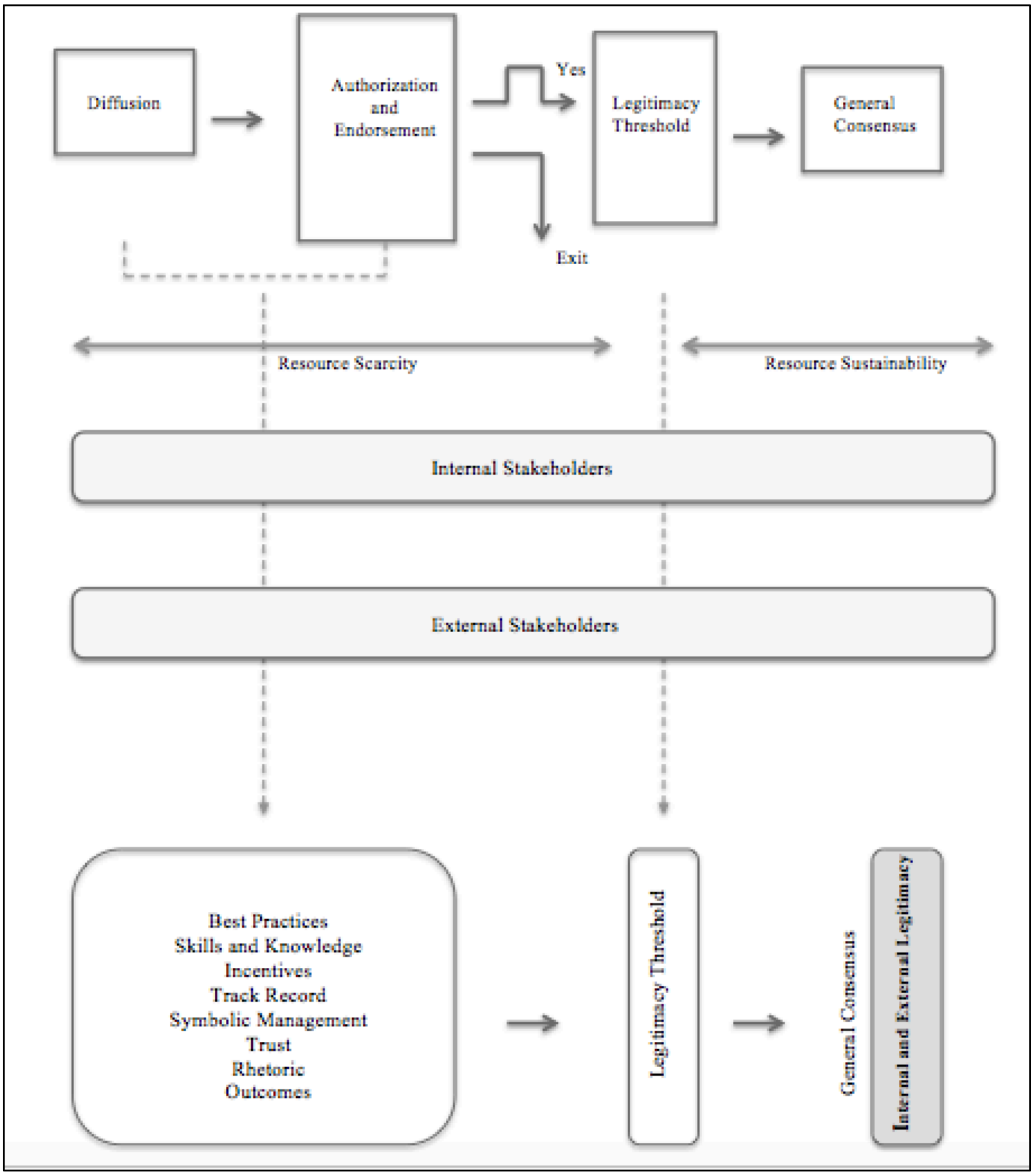


JAFZA appeared to reach the point of ***legitimacy threshold*** when it acquired the ISO certification in 1996 along with the presence of few multinationals' companies, which signalled to the society of its sustainability and success. And as a result, a second free zone in 1996 in Dubai based on the JAFZA model was established. Because if JAFZA had not achieved a point of legitimacy threshold then it would have been considered as an unsuccessful attempt and other free zones would not have been established. Hence, JAFZA with its positive outcome became accepted and the further diffusion of the same template became easier as it had already been tested and scrutinized.

The process of legitimacy appeared to be a two-way channel where internal and external legitimacy were constantly built on each other and complemented each other. The validation from both stakeholders and members spills out and influences the perception of people providing 'external legitimacy'. Sultan was able to provide tangible positive results to the leadership and the constant backing of the government assured the companies and society in general that it is a lucrative place to do business. However, if either one of legitimacy – internal or external had been threatened or not acquired, it could possibly have affected the other, destroying the legitimacy in general that JAFZA had gained.

Phase 2: Stage 2 – General Validation**:** JAFZA with its positive outcome proved to be a successful innovation and the concept of free zone was replicated in Dubai such that today Dubai hosts around 23 free zones. In other words, the success of JAFZA made possible the creation of other free zones. Because JAFZA after being successful holds a taken-for-granted stance and denotes stability and success for the society so the future projects based on the same template of successful project - JAFZA did not require much evaluation and scrutiny. Figure 7.1d illustrates the above discussion.

Table 7.1d: Phase II (Expanded)



The above section only highlighted the mechanisms or tools without their detailed description that were adopted by an institutional entrepreneur at different stages of a legitimacy acquisition process. The next part of the section explains the above mentioned various mechanisms used in this legitmacy acquisition process in detail that how these mechanisms played a part in gaining legitimacy for JAFZA.

7.2.1 Mechanisms to Acquire Legitimacy

Research indicates that institutional entrepreneurship suggests a change in the existing institutional structures. The actors used to their way of doing ways typically do not readily accept divergence from their existing arrangements. Consequently, an institutional entrepreneurship effort needs legitimacy in order to be successful. But there is not much comprehensive discussion of legitimacy acquisition in institutional entrepreneurship literature. So, this section borrows from legitimacy literature and explicitly applies it to institutional entrepreneurship literature where the entire legitimacy acquisition process is demonstrated and broken down into individual mechanisms in a systematic manner that illustrates how actors shape emerging institutions despite the complexities and path dependences involved.

As discussed earlier in the chapter, successful institutional entrepreneurship is a conflation of creative innovation and legitimacy acquisition where embeddedness facilitates an institutional entrepreneur in acquiring internal legitimacy but is not essential to innovation. Further, institutional entrepreneurial action also corresponds to the depth and level of actor's embeddedness, implying that the mechanisms available to a highly embedded actor might differ from mechanisms available to a less embedded actor.

This section describes the legitimacy mechanisms individually in detail that Sultan bin Sulayem seemed to use in the case of JAFZA to acquire legitimacy. However, there might be some additional mechanisms that institutional entrepreneurs use but were not found in this particular case. And as mentioned earlier, stakeholders have been differentiated into internal and external stakeholders so the mechanisms used with internal stakeholders might play differently for external stakeholders and vice versa. Some of the mechanisms would be explained with regard to only internal or external stakeholders and some might be discussed with the both, depending at what stage the legitimacy acquisition process is. And some mechanisms could be a deliberate attempt pursued by an institutional entrepreneur and some mechanisms could be just there by virtue of some condition, for example, geographical location or trust in the case of JAFZA. Furthermore, the order of the mechanisms is maintained in which the story of JAFZA transpired.

1. Intention

The finding '***intention'*** seems to point to several triggers underlying the intention or motivation behind the establishment of JAFZA. Intention is a deliberate thought which is usually a starting point for any project and can affect the society constructively or destructively. It is one of the most important mechanisms for legitimacy acquisition as institutional entrepreneurs put their emphasis on explaining about their project when dealing with the internal stakeholders (e.g. government or the resource-holders) at the start of the project. The reason being, the stakeholders only have a restricted version of an activity based on facts and figures that an institutional entrepreneur provides to them and do not have any tangible sources as a proof. The stakeholders have to make a decision based on information that they receive. Because if the institutional entrepreneur pursues an opportunity, which is a productive entrepreneurship, then it can prove to be beneficial to the society even if an institutional entrepreneur has a personal interest but contributes to the net output of an economy. However, if it is an unproductive/destructive entrepreneurship then it could be detrimental to the society in the long run (Baumol, 1990).

In the case of JAFZA, first and foremost was the personal interest of the key institutional entrepreneur Sultan to excel in his career that drove him to look for possible solutions when the opportunity arose. This seems to be in line with description of institutional entrepreneurs that such actors have an interest to change institutional structures (DiMaggio, 1988; Battilana, 2006; Garud, Hardy and Maguire, 2007)

Most of the time, it might not be possible to judge the intention of an entrepreneur, but the stakeholders might be able to assess it if they analyse the project with its long-term effects properly before giving it a go-ahead. In the case of JAFZA, the findings suggested that one of the key reasons behind JAFZA establishment was to improve the economic status of Dubai even where there was a personal interest of an institutional entrepreneur involved. Dubai's oil reserves were depleting, and the leadership knew that Dubai would have to find alternative sources for economic sustainability. As one of the JAFZA management respondents mentions,

> *'In this particular case within Dubai, irrespective of how the institutional decision-making process took place, the fact remains that the intention to choose them [projects], to implement them [projects] was motivated by economic factors.'* (TM-EZ-04)

In order to make the landscape of Dubai attractive to business owners, the leadership approved Sultan's idea of a free zone as a viable idea to attract business to the region. Ultimately, JAFZA proved to be successful in enhancing the economic stability of Dubai. This finding complements Sabah's (2016) work that argues, entrepreneurship is an intentionally planned behaviour where motivation plays an integral role in the creation of new organizations (Herron and Sapienza, 1992).

2. Vision

The finding '***vision'*** suggested that Sultan envisioned an idea of a free zone when a passer-by merchant threw a random comment at his way. The ability of Sultan to realize and envision an opportunity could be either due to entrepreneurial awareness (Kirzner, 1973; Ray and Cardozo, 1996) for which embeddedness might be a precursor as it happened in the case of JAFZA. Or it could be due to the personality traits like creativity to be able to use information in a way that others do not (Schumpeter, 1934) or it might be a combination of both. Vision goes hand in hand with 'Intention' as an entrepreneur tries to perceive long-term results of her/his project idea and it also defines an approach in which an entrepreneur wants it to take.

The vision served as the roadmap and guideline to turn the project of JAFZA into reality as an institutional entrepreneur has to convey her/his vision properly to the internal stakeholders (e.g. government) when making an argument to get approval for the project. Moreover, it also defines the way an organization is understood in terms of rules, values and norms, with reference to the employees (internal stakeholders) and the society (external stakeholders) in general. Which is in line with the literature that vision acts as a driving force (Chell, 2000) and provides a foundation for any successful venture (Bird and Brush, 2003).

Another interesting fact that emerged from the case of JAFZA was someone else's vision carried by another entrepreneur i.e. Sultan was the one to build JAFZA in 1985, however, the idea of a free port along with an industrial zone was first imagined by Sheikh Rashid (r1958-1990), known as a visionary leader and father of Dubai with many initial Dubai projects under his belt. But the idea of an industrial zone was shelved due to some unfavourable circumstances at that time. As Greame Wilson mentions in his book *Scales of Justice: Half century of Dubai Courts,* a guy named Abdullah Darwish, private secretary to Sheikh Zayed, a position which often took him to Dubai's Ruler Majlis, said,

> *'Sheikh Rashid confounded everyone around him. His ideas were so far ahead. He was looking at what Dubai would need a few decades on. Some believed that he was building white elephants, projects with ridiculous over-capacity. But he knew what he was doing. While most people were all thinking for now, he was thinking of a generation ahead.'* (Wilson, 2009, p. 201)

It implies; it is not necessary that a person who sees or creates a vision first also take the vision to its endpoint. It is possible that another person carries forward the same vision and finishes the process. In this case, we considered Sultan as an institutional entrepreneur because an idea is just an idea if it is not executed and Sultan was the one here to make JAFZA a reality. At the same time, Sultan's case is not separable from the leadership of Dubai as Sultan is a part of a closely knitted social fabric of Dubai where he is said to have a close relationship with Sheikh Mohammad. And the government that provided him much needed resources to get the project started backed the project.

3. Environment

The finding ***'environment'*** suggested that environment both in the geographical and business setting sense played a great role in making JAFZA a huge success. The geographical advantage provided an implicit advantage to Sultan to argue his case with the government officials while the change in business rules for the free zone was a deliberate attempt made by Sultan to gain more business for the port. The end of Iran-Iraq war era and being strategically located in the Persian Gulf proved advantageous in establishing JAFZA as a transhipment and distribution regional hub. Because JAFZA might not have had such a phenomenal success if it had not provided the strategic trade route between East and West. Sultan also said in an interview to TBY mentioning about the geographical importance of Dubai,

> '*Our geographical advantage is complemented by a determination to innovate to meet the present and future needs of our customers.'* (The BusinessYear 2015)

In terms of business setting, JAFZA offered a no-local sponsor condition with very simpler and efficient procedures without any red tape involved in comparison to the mainland Dubai, which proved to be a huge advantage when getting acceptance from the companies or society (external) in general. A representative from one of the JAFZA's company says,

> *'Because this is a free zone. It's easier to open in a free zone (easy documentation) as compared to outside [mainland Dubai], ... [no restrictions on the employees' nationality/quota] and very fast as well into the company (See page 238).'* (CC-JFZ-01)

This is in accordance with the literature considering environment as one of the techniques providing legitimacy to a venture (Scott, 1995: Zimmerman and Zeitz, 2002) as earlier companies were reluctant to invest in a place where a sponsor was made a partner for 51% or more than 51% shares. Furthermore, the number of companies grew from 19 to 500 in first decade and to over 7000 in a 30-year period since the establishment of JAFZA, which supports the fact that efficient business procedures result in higher entrepreneurial activity (Klapper, Lewin and Delgado, 2011).

4. Social Position

The finding ***'social position'*** indicated that Sultan being a member of elite Dubai society was able to contact and pitch his idea to the government authorities quite easily. Though the social position is not intentional or a deliberate attempt, but a social position influence helps in gaining approval from the internal stakeholders or even building networks to get resources for the project. Sultan was familiar with the royal family since his father had served as an advisor to Sheikh Rashid (father of the current ruler – Sheikh Mohammad). It made it easier for Sultan to approach the government and bypass the bureaucratic barriers that one might not be able to sidestep if s/he is not a part of the elite circle and do not have access to the influential people or royal family in this case. Which further helped in getting acceptance from the stakeholders, as people typically in monarch governments do not go against the higher authority decisions. The author Pranay Gupte in the book *Dubai: The Making of Megapolis'* mentions this relationship as,

> *'Another major player on Sheikh Mohammad's team has been Sultan bin Sulayem … Sheikh Mohammad has known him …. They lunched a few times and Sheikh Mohammad ended up hiring him in 1981 to run Jebel Ali port …(See pg. 254)*' (Gupte, 2011, p. 200)

> *'Sultan bin Sulayem is said to have a 'connection' with the ruling family but is not directly related to them.*' (The Guardian, 2006)

This complements the work of Battilana (2006) that argues the social position of an institutional entrepreneur is considered to be an enabling condition to bring change to an institutional structure. Because the social position not only helps in reaching out to influential people but also gives her/him access to networks by virtue of her/his position. The higher or central the social position, the higher the chance an entrepreneur has in acquiring the approval and the resources from the stakeholders.

5. Trust

The finding '***trust'*** revealed that trust played a significant role in acquiring resources and approval from the stakeholders. It did not only ease the process of acquiring resources and approval from the government, but it also helped to gain legitimacy from the society in general, that is, from both internal and external stakeholders. It is not an intentional step that an entrepreneur takes but is usually exists (or not) due to entrepreneur's networks/relationships. Due to the familiarity between Sheikh Mohammad and Sultan, Sheikh Mohammad had confidence in Sultan abilities and made him the in charge of such a huge project. Sultan mentions in an interview to Fortune Magazine,

> *'If you really believe in it [JAFZA], …. I was 30 (See pg. 260).'* (Gimbel, 2008)

On the other hand, any project backed by the leadership is considered to be a government project, which was a case with JAFZA as well. The people trusted the leadership not only due to their ingrained cultural norms and beliefs because of their earlier tribal traditions but also due to the economic success achieved by the government in their previous projects, for example, Dubai Creek, Dubai dry docks, etc. which were established before JAFZA. It made easier for the stakeholders to put trust in a project backed by the Dubai government.

And the feeling of trust towards the government was not only limited to the local residents of Dubai but expats living in Dubai shared the same feelings as companies' personnel operating in JAFZA testified. Hence, trust proved to be an enabling factor for Sultan to go ahead with the project initially and get acceptance from the society later. This is in line with the literature on trust that considers trust to be an important element in network relations for a successful venture (Aldrich, 2000) as no long-term relationship is possible without trust (Anderson and Jack, 2002; Smith and Lohrke, 2008). Because if an entrepreneur is not able to gain trust or loses trust due to any reason, it becomes then harder for her/him to survive. It implies that trust is one of the underlying mechanisms of legitimacy that comes into play when entrepreneurs with their new ventures want to survive and grow.

6. Track Record

The finding ***'track record'*** indicated that the history of an entrepreneur or an organization could be used as a tool to gain legitimacy. The success of previous projects makes people trust an entrepreneur on her/his competencies as individuals use cognitive shortcuts based on readily available information and take it for-granted that the next project is going to have the similar result. Whereas individuals' judgments for first-time entrepreneurs with no previous history are based on effortful evaluations, making it more strenuous for the entrepreneurs (Tost, 2011). In the case of JAFZA, the key institutional entrepreneur Sultan was educated abroad and worked as a custom trainee when he proposed the idea to the leadership. Even though Sultan did not have any entrepreneurial experience, but his education and research done for the project made him worthy of gaining legitimacy. Sultan told the Fortune Magazine that Sheikh Mohammad, the present ruler of Dubai, said to him,

> '*So, if you really believe in it, you go run it*.' (Gimbel, 2008)

Secondly, the government was backing up JAFZA, so the society saw it as a venture not just being led by Sultan but as a project of government of Dubai, which had a successful track record in terms of Dubai Creek, Port Rashid and Dubai Dry Docks etc. A man named Abdullah Saleh (no occupation mentioned), in the book Scales of Justice: Half century of Dubai Courts, says,

> '*Not for the last time, Sheikh Rashid was proven quite right. In fact, if you consider that ultimately Dubai would have had to have additional port facilities, the eventual bill of $1.7 million was miniscule compared with one of perhaps six times that if you attempted to build Jebel Ali today.'* (Wilson, 2009, p. 204)

This complements the work of Nguyun and Rose (2009) that a good business track record makes it easier for the entrepreneurs to gain trust of the stakeholders that facilitates them to acquire resources (Gompers et al, 2006), as entrepreneurial experience decreases the likelihood of failure in the eyes of the stakeholders.

7. Best Practices

The finding '***best practices'*** suggested that the idea was taken from other contexts where free zones were successfully operating; the most effective procedures from around the world were adopted and catered to the local context of Dubai. Consequently, the companies also felt self-assured and confident of the procedures conforming to international market standards being implemented at JAFZA. One of JAFZA management participants in relation to best practices says,

> *'It was a combination of few best practices combined together into one area [free zone]. After looking at the best practices from around the world, it was embedded into social, cultural, political local context.'* (TLE-JFZ-01)

Sultan mentions,

> *'We devise our own strategy that is basically good for us. We tailor-made everything to suit us.'* (IE-CEO-00)

This seems to be in line with the reasoning that new ventures seem to achieve authenticity and credibility by conforming to the societal norms and values (Zimmerman and Zeitz, 2002). People seem to accept new ideas or ventures more easily if the new venture has structures, norms or beliefs similar to a group of organizations that have been already approved by a society (Lamertz, Heugens and Calmet, 2005) because they have already seen the implemented model as a success or a failure and it becomes easier for the people to grant their judgement on the basis of result of related or similar industries.

This legitimacy mechanism dealt with both internal and external stakeholders translating into internal and external legitimacy. Sultan quoted the successful stories of free zones from around the world to convince the internal stakeholders, which was an intentional attempt on Sultan's part as entrepreneurs always try to build legitimacy by relating to stories of similar successful projects and building their project by adopting similar procedures. Similarly, the companies (external stakeholders or society) responded more positively when they saw the best practices, catered to the local context, have been adopted that suits their needs. Thus, it helped in gaining both internal and external legitimacy.

8. Incentives

The finding ***'incentives'*** revealed that to make JAFZA attractive, various incentives like concession on land and tax benefits for 50 years, were offered to the companies to open up their establishments there. And it made companies look at JAFZA favourably since the number the companies rose from 19 to 500 in the first decade and today more than 7000 companies are operating form JAFZA. One of the JAFZA management participants says,

> *'We give you tax benefits for 50 years, you do not pay taxation as concession from the government. Back then we would give concession on land so a grace periods of years as well, you do not pay for land for how many many years and so many other things as concessions. So this idea would benefit Dubai to diversify the economy.'* (MM-JFZ-02)

This is a legitimacy mechanism that dealt with the external stakeholders to gain external legitimacy by offering them incentives. Incentive always work as source of encouragement to bring people to their side as Ivancevich and Matteson (1990, p. 171) claims, '*organizations use is a variety of rewards to attract and retain people and to motivate them to achieve their personal and organizational goal*.'

If the incentives somehow are taken back or withdrawn from the customers quite early in the project due to any circumstances or market conditions, it might affect the progress of the project. If the incentives are either withdrawn after launching the project that people have started to believe in, or some other alternatives are offered instead then the people might not lose interest and confidence in it. Because people see it as a breach of trust if something offered previously is taken off the table. However, in the case of JAFZA, the concession on land is not on offer at JAFZA anymore due to the shortage of land at the site but other new schemes and procedures, for example one-stop shop by bringing all the government departments at one place etc., are put into place to make the procedures and operation smoother for the clients.

9. Rhetoric

The finding '***rhetoric'*** indicated that Sultan spent a considerable amount of time to convince the stakeholders (government and merchants – part of Majlis) for the JAFZA project as they had a fear of losing their business to competition. But Sultan's communication and persuasiveness skills made possible to gain internal legitimacy (government) and convert an idea to reality. Sultan was also the first point of contact in the early years of JAFZA to convince companies of JAFZA's potential and managed to convert a number of firms to JAFZA's clients, hence external legitimacy. It is more of an intentional attempt made by an entrepreneur to convince the parties of feasibility of the idea where s/he has to negotiate and convert the stakeholders' opinion in her/his favour. One of the participants in relation to this point says,

> '*They easily accepted that [the decision of JAFZA]. In today's time you cannot do things in isolation, you need to communicate. And that kind of communication does take place*.' (TLE-JFZ-01)

And another participant says,

> *'Absolutely. It is a pillar. It is actually whatever you see around is a result of these consensus … you know put in all the ingredients raw and start to focus*

> *zeroing on the most critical aspects of the moving forward (See pg. 280).'* (TM-DED-04)

This finding seems to be in accordance with the literature that argues, rhetoric and language in general play a fundamental role in the process of gaining and maintaining legitimacy and institutional stability (Berger and Luckmann, 1967; Green and Li, 2011). Rhetoric usually takes the form of vocabulary signalling an entrepreneur's motives and competencies in handling the project. It might consists of institutional logics and theorization of change (Suddaby and Greenwood, 2005) as institutional logics provide credibility by linking actors *'strategic agency to cultural meaning or culturally valued ends'* (McLean, 1998, p. 52, cited in Jones, Livne-Tarandach and Balachandra, 2010) and by framing the situation in a way that makes sense to stakeholders/clients (Fiss and Hirsch, 2005).

10. Skills and Knowledge Acquisition

The finding '***skills and knowledge acquisition'*** suggested that Sultan used the expertise of skilled and experienced people to manage JAFZA in its early days as Zimmerman and Zeitz (2002) claimed that hiring skilled and experience people gives a signal about credibility of the firm. Sealand Shipping Co. managed the Jebel Ali port at the time, so the free zone operations were rolled out utilizing Sealand Shipping capabilities along employing new skilled people when and as required. It helped in convincing external stakeholders and gaining external legitimacy as people/companies felt more confident about JAFZA. It is a deliberate attempt typically made by entrepreneurs because they know that people accept new ventures more if they are associated with experience and qualified individual and organizations. One of the JAFZA management participants says,

> *'It was really managed with the same skillset of people who were available and marketing and commercially operating the port. So, it was the part of the port operations that rolled out. So, they were naturally geared for operating the port and operating the port means you continuously interact with the shipping customers, with the other logistics customers and also the large buyers of these facilities. So that skillset was already available by virtue of being part of the port operations.'* (TLE-JFZ-01)

Since the new ventures have to overcome the liability of newness (Stinchcombe, 1965) so associating with experienced people or established organizations gives them a source of legitimacy.

11. Symbolic Management

The finding '***symbolic management'*** revealed that the process of gathering information from other contexts where the free zones were successfully operating signalled to the people about the feasibility of the report on which the decision was taken. The backing of the government and the continuous influx of companies after JAFZA's operations started also indicated the viability of the free zone. Acquiring ISO certification was one of the turning points for JAFZA that increased its credibility by leaps and bounds in terms of both internal and external legitimacy. Because it was a tangible proof for both the internal and external stakeholders that JAFZA is a successful and progressing free zone.

> *'The drive for excellence was first rewarded in 1996, when JAFZA became the first free zone ever to be awarded ISO certification.'*
> (Jafza, n.d)

This complements the work of Zott and Huy (2007) that claims, *'entrepreneurs are more likely to acquire resources for new ventures if they perform symbolic action'* (p. 70). Because it conveys positive social meanings about the venture to the society that helps them to sense it as a reliable idea and project that they can trust. And it becomes easier for people to trust such ventures when they have been linked with, for example, certifications, alliances, and participation in charitable endeavours or CSR activities.

12. Outcomes

The finding '***outcomes'*** suggested that JAFZA became legitimized[116] over a ten-year period when it was considered to be an effective model such that it acquired ISO

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[116] It can be considered as a legitimacy threshold since another free zone was established in 1996 after JAFZA acquired ISO certification.

certification and another free zone on the similar structure and principles was established in Dubai in 1996. Sultan was able to deliver the promise what he promised in the beginning of the project and today JAFZA contributes to almost 21% Dubai’s GDP. The influx of the companies and worldwide acceptance due to ISO-9001 gave JAZFA legitimacy in full circle such that when the idea of another free zone to build came up in Dubai, it did not have to go through strict scrutiny as the model of JAFZA denoted stability and success. Dubai has now 23 free zones operating which would not have been possible if JAFZA had not been successful. Sultan says,

> *‘Yes of course, the success of JAFZA helped to build other free zones and projects. They are thriving on our successes. Before we started, nobody wanted a free zone, they were scared but they have seen that companies are coming so it started, not only in Dubai but whole UAE.’* (IE-CEO-00)

The successful outcome of an entrepreneurial activity sends a signal to the stakeholders and the customers/clients in general that it is a viable entity; an entity that can be trusted since it has shown tangible results which is in line with the literature that ‘*a successful adventure is one that is able to provide profit to the stakeholders and meets predefined goals and objectives’* (Song, Song and Parry, 2010, p. 132) and ‘*performance, success and survival are among the more common operationalizations’* (Yusuf, 2010, p. 326) along which an entrepreneurial outcome is measured.

Legitimacy is a two-way channel where internal and external legitimacy impact each other because the members and government officials though are part of internal legitimacy but at the same time, they are part of a society as well (external stakeholders). The internal legitimacy from the internal stakeholders (government and members) influenced the opinion of the society/clients, giving JAFZA external legitimacy besides other incentives for the companies. The continuous rise in the number of companies and ISO-9001 certification along with several other mechanisms discussed above helped to get acceptance and approval. Thus, these two legitimacies dealing with internal and external stakeholders influence each other and if either one of these is threatened due to any reason, it could potentially harm the legitimacy status of an organization.

The legitimacy acquisition process doesn’t end once the project or a new venture becomes trustworthy in the eyes of the stakeholders. It is an on-going process and effort because organizations have to continuously maintain the legitimacy status. If the legitimacy acquisition process of JAFZA had slackened somewhere in the middle or lost due to any reason, then the society would not have been easy to appease and other free zones in Dubai would not have established so effortlessly.

These mechanisms mentioned above helped the institutional entrepreneur Sultan bin Sulayem in gaining the approval of the stakeholders for the project JAFZA since any new venture has to overcome the liability of newness (Stinchcombe, 1965) in order to legitimated by the society. However, this is by no means an exhaustive list of mechanisms as there could be other mechanisms that institutional entrepreneurs might use to gain legitimacy depending upon the context and institutional conditions.

The above discussion of first two theoretical findings provides resolution to the paradox of embedded agency and identified various legitimacy mechanisms adopted by the institutional entrepreneur in this particular case. The study provided a solution to the paradox of embedded agency by unlocking the process of institutional entrepreneurship into its two components – innovation and legitimacy acquisition – independent of each other where embeddedness is considered as a property of an institutional entrepreneur. That is, an entrepreneur might be able to produce an innovation, provided s/he is of entrepreneurial mind-set, but s/he acquires legitimacy relatively smoothly by being an embedded actor; considered as a separate act from creative innovation. And there might be a variation in mechanisms available to an institutional entrepreneur based on her/his level and depth of embeddedness in a field.

The next section discusses the third theoretical finding dealing with Baumol's productive and unproductive/destructive entrepreneurship notion.

7.3 Baumol – Productive, Unproductive or Destructive Entrepreneurship

> **Third Theoretical Finding – Baumol: Productive, Unproductive or Destructive Entrepreneurship**
>
> *What kind of institutional or ideological preconditions might be necessary for institutional entrepreneurial action to benefit or harm a society in an emerging economy?*

This section discusses the findings for Third Theoretical Finding asking, *What kind of institutional or ideological preconditions might be necessary for institutional entrepreneurial action to benefit or harm a society in an emerging economy?* It addresses the notion of Baumol's productive and unproductive entrepreneurship in a case of an emerging economy.

Entrepreneurship is universally approved and appreciated due to the economic growth and development it brings to the economies in terms of increased productivity, new ideas and creation of jobs. However, an entrepreneurial activity usually defined as '*constructive and innovative'* might not always be beneficial to a society (Baumol 1990, p. 894). Baumol (1990) argues in his article *Entrepreneurship: Productive, Unproductive and Destructive* that the main goal of an entrepreneur is to generate profit regardless of the fact how much or little it benefits to the net output of an economy. Baumol[117] considers productive entrepreneurship to be as, '*... any activity that contributes directly or indirectly to net output of the economy or to the capacity to produce additional output'* (1993, p. 30) while he equates unproductive and destructive entrepreneurship to activities that do not contribute to net output of an economy, such as corruption, rent-seeking, lobbying, tax evasion, etc. (Baumol, 1990, 1993; Dallago, 2000; Foss and Foss, 2002).

The findings revealed JAFZA to be a case of productive entrepreneurship in an emerging economy context – Dubai. Sultan bin Sulayem came up with an idea of a free zone as one of the means for economic diversification in Dubai. Since the business activity at the Jebel Ali port was slow because the merchants believed it to be far from the centre of Dubai where they had their storage facilities, and shipping lines were reluctant to come as

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[117] Discussion on Baumol is provided in Section 2.2.2 on pg. 20.

they saw the Jebel Ali port operator - Sealand Shipping Company as their competitor. So, Sultan thought to bring cargo and shipping companies to Jebel Ali to stimulate business with the setup of a free zone where warehousing facilities could be provided to the companies. Sultan mentions,

> *'But the reason behind a free zone is that we build a Jebel Ali port and it is a very large port and to generate cargo for the port, we need to complete the setup. And out of necessity, we decided that free zone is a part of that process … we hope to attract people to the port, for the free zone'* (IE-CEO-00)

Jebel Ali free zone proved to be profitable for Dubai. It started with 19 companies in 1985 and hosts around over 7000 companies today with contributing almost 21% to Dubai's total GDP. It became a successful free zone model and was replicated for the other 23 free zones in Dubai. This falls in accordance with Baumol's notion of productive entrepreneurship that an activity is considered to be beneficial to a society if it has a positive impact on the net output of an economy (Baumol, 1990).

As mentioned earlier, the institutional structure of an economy determines the allocation of entrepreneurial activities into productive and unproductive entrepreneurship (Baumol, 1990). Since no two contexts are similar so the allocation of entrepreneurial activities might vary across cultures and societies. Typically, weak and unstable formal institutions as well as norms and societal values might encourage unproductive entrepreneurial activities more as compared to mature and stable institutional systems (Smallbone and Welter, 2006). In this light, there is a greater chance for an (institutional) entrepreneurial activity to be unproductive particularly in case of emerging economies since these economies do not have mature and established institutions like developed countries and are in the continuous process of institutionalization. Institutional entrepreneurs in such economies might be able to influence stakeholders of her/his idea relatively easily as the institutions in place might not be that established that could evaluate if a proposed entrepreneurial activity is advantageous or disadvantageous to the society. However, productive and unproductive activities sometimes might co-exist especially in the emerging or transition economies where small firms evade taxes for survival and growth while still contributing, even if little, to the economy at the same time (Smallbone and Welter, 2001).

Under these circumstances, the intention of an institutional entrepreneur and stakeholders in an emerging economy setting carries more weight because an entrepreneur can use her/his networks in getting the stakeholders to agree to her/his proposed idea. That is, an entrepreneur if not truly sincere and honest to the society could influence stakeholders by showing or granting them some hidden benefits, for which the stakeholders might be willing to forego the proper scrutiny looking more for their personal interest rather than a society benefit. So, there is relatively a greater chance for such kind of unproductive activities to take place in emerging economies where the institutional structures are weak or newly established and there are no strict checks and balances placed.

The findings suggested that Dubai indeed was a newly formed state as it came under a federation, UAE in 1971. In earlier years, Dubai was looking for different avenues to enhance economic stability in the face of its depleting oil resources. It can be argued that Dubai was still in its infancy and early institutionalization phase at the time of JAFZA establishment in 1985. The findings further revealed that the institutional entrepreneur Sultan bin Sulayem though had a personal interest in terms of trying to prove himself to the leadership of Dubai but the main motivational force behind the idea of JAFZA was to bring economic prosperity to Dubai. The author Gupte mentions in his book *Dubai: The Making of Megapolis* that

> *'Sheikh Mohammad ended up hiring him in 1981 to run Jebel Ali port, which had just opened. It wasn't exactly a plum job. The port was all but empty in those days and it was a long drive from town. Sheikh Mohammad could tell Sultan wanted a better job, something at the center of action.'* (Gupte, 2011, p. 201)

It indicates that Sultan believed that his skills could be utilized better somewhere else and wanted to prove his competency to the leadership of Dubai, but the main intention was still to bring economic stability to Dubai that did not involve any interest for personal financial gain.

The findings suggested that Sultan moved in the elite society circles of Dubai as he was closely linked with Sheikh Mohammad (present ruler of Dubai) who was the Defence Minister and managing the oil profile at that time. By virtue of his social status, Sultan was in a position to influence the key stakeholders. The following quote shows the relationship that Sultan shared with Sheikh Mohammad,

> *'Mr bin Sulayem's family has had a long relationship with the ruling Maktoum family ... transformed the city into the region's trade hub (See pg. 255).'* (Kerr, 2010)

The direct association of Sultan with Sheikh Mohammad and the ruling family played a huge role in convincing the stakeholders, in particular, the government in the case of JAFZA. Though it took him around two years to convince the concerned parties of his idea but the strong support from Sheikh Mohammad was significant in getting a green-signal for the project. This direct association translates into 'Wasta[118]' in the context of Dubai which is an expression used for reference or connection in the Middle East region. It is a common practice in the region and people typically use it to get things done that might be through more favouritism rather than merit. Sultan mentions,

> *'In the beginning they [government and the merchants] were very concerned and especially the businessmen ... proposed free zone might have brought] our business but [in] 85 it [JAFZA] was established (See pg. 277).'* (IE-CEO-00)

Sheikh Mohammad knew Sultan since childhood, so it was easier for him to trust Sultan. He had such confidence in Sultan that he was given the sole responsibility to run the free zone at the age of 30 when JAFZA was established. In an interview to Fortune Magazine, Sultans says,

> *'If you really believe in it [JAFZA], ... I was 30 (See pg. 260).''* (Gimbel, 2008)

This seems to be in line with an argument by Smallbone and Welter (2006) that productive and unproductive activities might co-exist in emerging and transition economies where entrepreneurs might influence the stakeholders in one way or another still contributing to the economy. It indicates that though the decision of JAFZA was to bring financial prosperity to Dubai and it did bring positive impact on the net output of Dubai's economy which compliments the notion of productive entrepreneurship as argued by Baumol (1990). But at the same time, lobbying or convincing the stakeholders

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[118] Wasta is a form of reference or connection literally in English that helps people with connections to get things done easily. It is discussed in detail in Chapter 4: History of Dubai.

as a result of social influence would come under unproductive entrepreneurship even when JAFZA is considered to be a successful project.

However, the aforementioned argument takes us to the concept of intention, which is the starting point of any new venture. The intention plays an important role in any entrepreneurial venture (Sabah, 2016) since it can define it into either a positive or negative contribution to an economy. In the case of JAFZA, if Sultan's intention had not been to be productive, it could have been disastrous for Dubai's economy. Because Dubai in 1980 was still in its infancy stage and had not very mature and established institutions as UAE had just gained independence in 1971. And as Sultan was a highly embedded actor, he could have used his connections that made JAFZA possible by using an institutional shortcoming to appropriate rents for himself, leading to an unproductive entrepreneurship. As 'Wasta' (means 'reference or connection') is a norm of Dubai society that people have been using it pre-federation and post-federation of Dubai to get things done. It could have set a path of unproductive entrepreneurship for others in early days of Dubai if project JAFZA was used for any individual gains. Hence, the intention of an (institutional) entrepreneur plays a significant role in any entrepreneurial activity being productive or unproductive/destructive since it can either benefit or harm a society in the long run.

It is interesting to note that the projects (Dubai Creek, Port Rashid, Dry docks Dubai, Emirates Airline) that were launched in Dubai before and around JAFZA time are all successful examples of productive entrepreneurship; established with the intention of bringing prosperity to Dubai even when the institutional structure of Dubai was based more on informal structures that were largely formalized into formal institutions after 1971[119]. It implies that an ideology of nation building was already prevalent in the environment when JAFZA got established.

The history of Dubai suggests that there were some underlying mechanisms operating in the environment that tipped the allocation of entrepreneurial activities from day one to productive entrepreneurship rather than unproductive/destructive entrepreneurship, which is the usual case in a society with weaker or newly established institutions. It seems that

[119] UAE federation of seven emirates was established on Dec 2, 1971.

the leadership of Dubai[120] was trying to create a wider ideology of nation building at the time even when in 1833[121] Al Bu Falasah tribe first migrated to a small town 'Dubai' (presumably to be near the natural creek) and took the control. The author Dr. Tommy Weir wrote in his book *Leader Dubai Style* that the leadership style of Dubai was more like nurturing where the chief tribal leader takes care of every need of his clan and considered it a part of his extended family. The leadership was adamant in creating an environment even in its early days where everyone could succeed. All efforts were geared towards increasing the economic stability of the town, for example, in the very early days a larger souk with new services was built and town's fishing capacity was increased that brought more merchants, craftsmen and a better food supply to the town. It's been reported that Sheikh Maktoum bin Butti told the elders, '*I want our people to be able to produce and sell goods as the way we allocate resources in the tribe. We should lead for the future and build our people's ability to make their own living, provide financially for their families. We should think about tomorrow, today*' (Weir, 2015, p. 189). Sheikh Maktoum bin Butti and all his successors kept their focus on the idea of enhancing trade and commerce since they knew it was the key to success for their town. The decision to make Dubai's creek, a tax-free port free in 1901 after imposition of taxes and regulation of Port Lingah is a key milestone in Dubai's economic history as it set the path of economic success for Dubai. It brought an influx of merchants to Dubai creek, along with their business, shipping networks and links with trading associates who linked Gulf merchants to markets and clients worldwide.

Sheikh Maktoum bin Butti's successor Sheikh Rashid who ruled for 32 years (r1958-1990) is largely responsible for transforming Dubai as an entreprot from a small trading port to a leading global commerce centre. Keeping up with the policy of openness, he didn't only listen to people from his immediate close-knit circle, but he was open to others' idea as well, in order to fully understand the scope of what is needed and could be created. The leadership kept business leaders and merchants close and encouraged their participation in Dubai's economy, which was unseen in any other Gulf ruling state. Many

[120] The leadership of Dubai has been in the influential Maktoum family since they had a significant tribal dispute with Al Bu Falah (Abu Dhabi ruling family) and migrated to a small fishing village 'Dubai' in 1833. Though Sheikh Rashid (r1958-1990) is known as the Father of Dubai in transforming Dubai to what it is today but even his successors and rulers before him ruled with the same philosophy of building an economic dream for Dubai.
[121] Sheikh Maktoum bin Butti was the first ruler of Dubai.

developments that shaped Dubai's landscape came from being open, attentive to people's needs and observing other governments and cities what they were doing.

Sheikh Rashid concerned with Dubai's scarce oil resources put much emphasis on creating other alternative economic sources for Dubai. In the case of Jebel Ali port, people around him doubted his decision in trying to amplify Dubai's income and asked Sheikh Mohammad to talk him out of this project. A representative from business community said to Sheikh Mohammad, *'Your father wants to build a new port at Jebel Ali. We beg you to tell him that we already have a big port at Port Rashid—it is adequate. The country is suffering from stagnation, and the new port will lead to overcapacity and losses'* (Weir, 2005, p. 759). Sheikh Rashid's reply was, *'What is the point of keeping it in the bank? I'm looking ahead perhaps fifty years. We've got money, so what is the point of keeping it in the bank? Eventually we will need more capacity, and then it could cost us double or triple the price to build it*' (Weir, 205, p. 751-752). Sheikh Mohammed further says, '*My father was the first to think of this project [Jebel Ali]. If the project had been suggested to consultants or subjected to an economic feasibility study, it would never have been implemented'* (Weir, 205, p. 759), indicating the risk-taking nature of Sheikh Rashid that was later seen in his successors as well. It is well expressed by an Emirati businessman Dr. Ahmad Hassan Al Sheikh as he reminisces, *'the early period was a tough time. It created the 'it must be done' mentality. There was no choice. Later this choice became a challenge to do more. Survival turned into a habit to do more'* (Weir, 2005, p. 731).

Moreover, Dubai is surrounded by oil-producing nations that posed a threat in itself to Dubai since all these nations had been engaged in battles with each other in the past. During 1970s when oil prices suddenly rocketed, it had a dramatic impact on the distribution of power among different kingdoms. Oil producing nations are suddenly rich and the countries without by comparison now are poor. Those, that are poor, the fact that their neighbours are rich is not a blessing, is a threat. Furthermore, for many decades Dubai had enjoyed the status and revenues by serving as a British military base, but the proceeds halted when British left the region. The leadership of Dubai realized the threat of being a weaker country amongst other Middle East countries and articulated more strongly the importance of nation building. The ruling family and all the key stakeholders were really committed to make that vision a reality. They wanted to create an ideology of nation building and a vision that prompted them to invest in all those projects for the good of a nation. They overcame any arguments over key decisions and made investments that benefitted the nation.

And because of this ideology of nation building, there was this environment where people were willing to invest in the good of nation rather than their own private benefit and that prompted a series of productive entrepreneurship. This case suggests that there is a possibility of leadership in these nations being able to overcome the disadvantage of weaker (formal) institutions by articulating and leading that focus on nation building. Even though the institutional (formal) framework prevailing in Dubai at that time was not the strongest by western standards but their informal structures were quite effective that led to its growth in the absence of mature formal institutions. It was the nurturing leadership (tribal) style that looked at the bigger picture to achieve sustainable prosperity. The values, norms and beliefs ingrained in the society to support and do good for the people were the stimulus that transformed the landscape of Dubai in its early years. One thing that is worth mentioning in the Dubai's leadership style is sticking with the vision regardless of who is the ruler at any given time. They all kept their focus on the main goal and didn't take apart the previous ruler's strategies and policies. It implies that when you have a compelling purpose as the core of your strategy, that strategy has the potential to last decades, generations, and even centuries into the future. Therefore, a great and exceptional leadership style that executes that ideology will lead to productive entrepreneurship when institutional structures by developed economies benchmark would suggest that's not the most likely outcome.

It strengthens the point that the intention of an entrepreneur plays an essential role in any entrepreneurial venture. Because if the intention of leadership of Dubai behind these projects from the day one had been unproductive regardless of the formal or informal structures, Dubai would not have been where it is today. Secondly, the vision of the leadership did not waver from making Dubai a sound economy that has continued from 1833 till date, as Sheikh Mohammad said, '*I do not know if I am a good leader, but I am a leader. And I have a vision. I look to the future, twenty, thirty years. I learned that from my father, Sheikh Rashid. He was the true Father of Dubai'* (Weir, 2015, p. 281). Thirdly, the urgency of the leadership to act promptly on decisions as and when needed was a huge advantage in itself since window of opportunity does not last long in a dynamic market. However, it still comes full circle to the intent and vision of Dubai leadership to support productive entrepreneurship for the benefit of a nation because as mentioned earlier if the intent had been to gain personal benefit rather than interest of a society then Dubai would not have been able to progress so fast and emerged as one of the rising emerging contexts today.

JAFZA – a case of productive entrepreneurship played a significant role in the economic success of Dubai since it further set the trend of positive entrepreneurial activities as Davidson and Henrekson (2002, p. 81) emphasises that productive entrepreneurship is an *'... essential factor of the economic performance of a country'.* It indicates; the institutional structure of Dubai did determine the allocation of entrepreneurial activities and JAFZA was actually a continuation of same trend of productive entrepreneurial activities.

7.4 Contributions of The Research Study

The objective of this research has been to determine a relationship between institutional entrepreneurship and legitimacy in a context of an emerging economy. Both theory and empirical findings contribute to the interplay between these two different streams of literature but providing insights, in particular, to the institutional entrepreneurship literature.

7.4.1 Summary of the Key Theoretical Contributions

This chapter presented the comprehensive discussion of the empirical findings described in the previous chapter (Chapter 6: Findings) gathered on institutional entrepreneurship – legitimacy relationship, in a context of an emerging economy by probing – How is an institutional entrepreneur able to acquire legitimacy for a novel idea in an emerging economy? But the study also identified other arguments that emerged from the analytical work undertaken in this study. Therefore, the summary of this study's theoretical contribution to the literature in response to the arguments below is as follows:

> **I** – Is it possible to shed new light on resolving the paradox of embedded agency?
>
> **II** – What are the mechanisms of legitimacy acquisition that an institutional entrepreneur uses to get a novel idea accepted and approved by the internal and external stakeholders?

III – How might an institutional entrepreneurial action benefit or harm a society in an emerging economy?

I – Is it possible to shed new light on resolving the paradox of embedded agency?

It explores the paradox of embedded agency by considering embeddedness as a property of an institutional entrepreneur that facilitates her/him in acquiring legitimacy for a proposed institutional change. The study contributed to the literature by arguing that successful institutional entrepreneurship is a conflation of two distinct processes – creative innovation and legitimacy acquisition. Institutional entrepreneurship can be referred to as institutional entrepreneurship only when it is successful and legitimated. That is, act of creative innovation is regarded as an institutional entrepreneurial activity only when it executes and acquires society acceptance else it is not called as a successful institutional entrepreneurship.

Embeddedness is most likely to help an institutional entrepreneur in gaining (internal) legitimacy from the stakeholders. But it is not critical to act of innovation, which is a separate act from the process of acquiring legitimacy. Thus, the paradox of embedded agency is resolvable by considering both these processes – creative innovation and legitimacy acquisition – individually where embeddedness assists an institutional entrepreneur to acquire at least internal legitimacy but does not support the act of innovation. It shows that embeddedness is not a mechanism to gain legitimacy, but it is a condition that helps an institutional entrepreneur to acquire atleast internal legitimacy for a novel innovation.

II – What are the mechanisms of legitimacy acquisition that an institutional entrepreneur uses to get a novel idea accepted and approved by the internal and external stakeholders?

Since most of the literature dealt with how new and mature ventures acquire legitimacy but not much information is available on legitimacy acquisition for an institutional entrepreneurial activity. So, this argument is concerned with the legitimacy mechanisms that an institutional entrepreneur uses to get her/his novel innovation approved by the stakeholders. Moreover, the study handled acquisition of legitimacy in terms of mechanisms rather than different types and strategies of legitimacy as suggested by the literature, to avoid confusion between overlapping names and meanings.

The study added to the institutional entrepreneurship-legitimacy literature by focusing on how an institutional entrepreneur gets a novel innovation legitimated by both the internal and external stakeholders. A two-phase framework, divided in four stages: Innovation, Authorization, Diffusion and General Validation, was developed that explained the entire process of legitimacy acquisition from start to finish. The legitimacy acquisition model further defined the set of mechanisms (See Table 4.2) that an institutional entrepreneur might use at different stages of legitimizing her/his innovation. The study illustrated the case of a highly embedded institutional entrepreneur that had an advantage of property of embeddedness. It provided the institutional entrepreneur with certain mechanisms more readily available that might not have been available to a less or non-embedded institutional actor. For example, easy access to stakeholders to influence their decision is a mechanism that is available to an embedded actor and not to a non-embedded actor. While symbolic management might be a mechanism used by institutional entrepreneurs available to both embedded and non-embedded actors. Therefore, the interaction of different mechanisms with regard to internal and external stakeholders illustrated that an institutional entrepreneur acquired internal legitimacy initially from the stakeholders (government or resource providers) where the property of embeddedness played a significant role and later gained external legitimacy from the society once the project was implemented.

III – What kind of institutional or ideological preconditions might be necessary for institutional entrepreneurial action to benefit or harm a society in an emerging economy?

In reference to Baumol's notion of productive and unproductive/destructive entrepreneurship, the study investigated institutional preconditions prevalent in an emerging economy that might make an institutional entrepreneurial activity beneficial or detrimental to the society. The reason being, these emerging economies as compared to advanced economies, tend to have weaker and less established institutional structures with no strict checks and balances and involves a greater risk for an unproductive/destructive institutional entrepreneurial activity to be set up; that acts as a parasite on an economy rather than contributing to the net output of the economy.

The study contributed to the literature by offering insights into an emerging economy – Dubai. The study indicated that even though the key institutional entrepreneur was a highly embedded actor who knew people in the elite sector and could have used his influence to gain personal benefit rather than benefitting the wider society. But he opted to use his expertise and knowledge wisely and set up the first free zone - JAFZA in Dubai for the benefit of society. It is no doubt a case of productive entrepreneurship since it contributes almost one-third to Dubai's total GDP. JAFZA was a continuation of a trend of productive entrepreneurship, which was prevalent in the environment at the time even when the institutional (formal) structure of Dubai was still in its institutionalization phase. The informal beliefs and norms that governed the society of Dubai were geared towards achieving happiness and building promising future for its people. That is, there seems to be a wider ideology of nation building prevalent in an environment, endorsed by the leadership of Dubai, working towards the betterment of the society. The case suggests that good leadership style can actually promote productive entrepreneurship in a context with weaker and less mature (formal) institutions, which is usually not a common occurrence in emerging economies.

7.4.2 Empirical Contributions

Dubai has emerged over the past thirty to forty years as one of the fastest growing emerging economies (John, 2015). It is now considered to be one of the most successful former emerging economies and to have attained developed economy status. Despite this very little is known about how its key institutions evolved during this critical period of transition. JAFZA was perhaps the first key institutional innovation in Dubai, which has evolved into DP World, one of the most successful indigenous emerging economy multinational enterprises in the world. Insights from this detailed case study therefore provide valuable evidence for what remains a very poor understood business history of the Gulf (Godley and Shechter, 2008). The thesis therefore contributes to a deeper understanding of how a very different institution from an entirely different context to the western world evolved and became successful. This in turn then informs a more sophisticated understanding of how these different institutional forces shaped the landscape of today's Dubai. JAFZA of course remains a unique and an exceptional case and this restricts its generalizability to the wider society. But the findings of this thesis can provide some increased confidence about the underlying processes that promoted such successful indigenous institutional entrepreneurship in Dubai, and therefore about how these may be relevant to understanding similar successful and failed developments within the the similar contexts of the Gulf and the wider Arab world[122].

The next and final section of this chapter addresses the limitations and suggestions for the future research.

7.5 Limitations and Suggestions for Future Research

Although this study succeeded in answering the research aims but like any other research, this study does have a few unavoidable limitations. Most of the limitations typically associated with qualitative research and case study design have already been discussed in Chapter 3: Methodology, in particular, how I dealt with the quality of the research. The following passages address further limitations that emerged throughout the data collection and analysis process and how they have been managed.

One of the limitations that is most common in single case studies is the issue of generalizability of study findings to a wider context. The research was undertaken in a form of a single case study based on a free zone industry in Dubai, UAE. Although generalization from a single case study has limited reliability as some scholars argue that multiple-case studies produce typically *'more robust, generalizable, and testable theory than single-case research'* (Eisenhardt and Graebner, 2007, p. 27). However, the decision to choose a single case study over multiple case studies in this study was made because a deeper understanding of the phenomenon and context was needed to provide answers to the research objectives. Single case studies are able to provide deep and paradigm-shifting insights as Dyer and Wilkins (1991, p. 615) proposed that *'theory that is born of such deep insights will be more accurate and more appropriately tentative because the researcher takes into account the intricacies and qualifications of a particular context'*. I believe that the study gives insights to one of the emerging contexts that represent a rather under-explored region. Additionally, the legitimacy acquisition process would be applicable to other settings, but the issue can be answered only with further research. For

[122] Arab world would include countries geographically located in the Middle East (Bahrain, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syria, United Arab Emirates and Yemen and countries in Africa (Algeria, Comoros, Djibouti, Egypt, Eritrea, Libya, Mauritania, Morocco, Somalia, Sudan and Tunisia).

example, one case could be comparing the legitimacy acquisition process across different free zones in the same context; or a study based on different contexts that can shed light on legitimacy acquisition differences and similarities if any.

Secondly, the study was largely restricted to the early period of the free zone establishment in Dubai, which had very limited secondary sources and some of the sources were available only in Arabic. I was aware of this limitation, so I went into the interview process prepared and tried to probe the key interviewees over and over again to get the full picture. Additionally, care was taken in choosing the participants who were involved or connected with the organization in one way or another and could relay the correct information.

Thirdly, since the empirical case selected was a government entity and all the interviewees of both the rounds were part of the organization so they might have occasionally omitted some information of those early years if they considered it to be sensitive and not willing to share. Though it was an unavoidable limitation, but I was aware of the fact and tried to minimize the error rate by probing more in the interviews and supplementing it with the secondary sources. It is also important to note that the researcher and interviewees might have been at different levels with understanding the phenomena so using simple language and asking participants to further elaborate their points helped in getting the relevant details. However, studies representing different private, government or semi-government entities can further contribute to the development of research on institutional entrepreneur-legitimacy phenomenon highlighting the divergence from the current research.

Fourthly, the interviewees selected as mentioned earlier were employed at high hierarchical positions either working for/in JAFZA. The participants were also labeled as external stakeholders as they belong to the wider society as well. However, there were no participants with low hierarchical positions (e.g. dock workers or workers handling cargo) involved in the study. The people working at such lesser positions are mostly non-locals and afraid to voice out their opinion as UAE does not rank high at freedom of speech – 19.21 (United Arab Emirates, 2016, p. 17) even if the government promotes itself as an open government. It is an unavoidable limitation of a study and I was aware of the fact. I tried to probe companies' participants - mostly non-local Arabs - more to get their stance on the workings of JAFZA procedures to overcome this discrepancy.

Fifthly, the sample size of the current research consists of 18 interviews in total along with several secondary resources to support the data. Some argue that a sample size of 10 may be sufficient with homogenous population for a qualitative study (Sandelowski, 1995); some argue that a sample size of 20-30 is needed to reach a saturation point in data (Creswell, 1998). I believe that I reached the saturation point with the above-mentioned number of interviews as Guest, Bunce and Johnson (2006) says that it is possible to reach data saturation with just six in-depth interviews. However, further studies can be carried out with larger data sets to overcome the issue.

Sixthly, since this study only mentioned the legitimacy mechanisms that were encountered in this case, however, further studies can be carried out following the framework to investigate how similar and different they can be in terms of the mechanisms; and how different would it be with a non-embedded or peripheral key actor in the field. More extensive research across emerging economies can further help to provide knowledge related to the reliability and validity of the identified theoretical relationships.

Despite the aforementioned limitations, I believe that this research contributes to the literature by opening up a dialogue again on the paradox of embedded agency and provides insights to one of an under-explored emerging contexts for future research and more generally, institutional entrepreneurship research.

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Appendices

A. Interview Questions for JAFZA Management

1. Please tell me that how the idea of free enterprise zones was originated in Dubai?
2. What do you think the motivation was behind this idea?
3. What do you think the vision/perception of Dubai's ruler was about these free zones?
4. Was the idea of free zones taken from any other economy and thought to be applicable in Dubai? How was it adopted?
5. Was there any third party like advisors or consultants involved in setting up the free zones? What was the role of such entities?
6. How tough was it to combine international market laws with Islamic trade laws since Dubai seems to have a dual institutional structure*?*
7. How a decision is formally made in a context of Dubai? What type of consensus is needed?
8. How was the idea put forward to UAE federation?
9. How was the idea first tested with local population to gauge the response from population before implementation?
10. Why do you think Islamic laws were integrated with international market laws?
11. What kinds of resources were needed? How the funding was acquired?
12. What kind of training programs or workshops were run to make the management people skilled for the dual institutional structure?
13. What kind of consequences do you think Dubai was able to foresee, in case, the free zone enterprises were not developed?
14. What was the concept behind DIFC as it was when the change in constitution was made? Was it not possible to have DIFC without making any changes in the constitutions – similar like other free zones?
15. How do you think the locals took to the dual institutional structure? Did the government face any problems while implementing it?
16. How do you think the success of JAFZA helped in the development of DIFC that required a change in constitution?
17. Were there any ever projects proposed not beneficial or didn't get approval from government or population?
18. What type of constraints from international markets these free zones have to face?
19. What is the role of DFSA (check and balance authority)? How does it try to maintain with all the standards?
20. How do you think the history of earlier success helped with the approval of future decisions getting implemented?

B. Interview Questions for JAFZA Companies

1. Can you please tell me about your company when it was established, what does it do and how many employees does it have?
2. How did you decide to open your company in JAFZA?
3. What was the motivation behind the decision to open your company here in JAFZA?
4. How did JAFZA help your business by being in a strategic location in the Persian Gulf?
5. What kinds of resources were available at that time in JAFZA when you established your company?
6. Do you have your company's branch/office in any other free zone in other parts of the world? If yes, what type of differences or similarities do you find between Jebel Ali and other free zones?
7. What kind of banking option did you chose – Islamic or Civil?
8. Did you find it difficult in terms of trading with other countries due to the Islamic Sharia based constitution here?
9. How JAFZA has evolved from the time when you established your company then and now (2017)?
10. What do you think the situation of Dubai had been if there was no JAFZA and other free zones?