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# **Three Studies on Institutional Entrepreneurship in the Informal Economy: A Grounded Theory Approach**

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Doctor of Philosophy in Management



The University of Edinburgh  
Business School

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# Declaration

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June 2018

Carmelo Paviera

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# Abstract

The informal economy represents a large segment of the economic activities in emerging economies but still remains a puzzling phenomenon. In particular, research emphasising the organising processes of firms within the informal economy is scant. Weak formal institutions, conflicting institutional centres and large levels of economic inequality contribute to the development of informal entrepreneurship in emerging economies. Yet, an understanding of the links between institutional incongruence and economic exclusion as facilitating mechanisms of informal entrepreneurship remains limited. Furthermore, it is unknown how hybrid organisations, combining institutional logics, emerge and function within the informal economy. Despite a large number of empirical and theoretical studies, there is a lack of understanding about the interplay between the institutional dynamics and the creation of informal institutions developed by informal entrepreneurs.

To enhance the understanding of informal entrepreneurship, this PhD thesis explores how institutional entrepreneurs embedded in the informal economy respond to economic inequality. This grounded theory study, based on interviews and participant observations conducted at La Salada, South America's largest black market, conceptualises how institutional entrepreneurs exploit the illegitimacy of formal labour institutions to generate institutional change. This qualitative study has followed a constructivist grounded theory design based on simultaneous data collection and analysis and making systematic comparisons throughout inquiry. In line with grounded theory guidelines, the researcher identified emerging first-order categories and looked-for relations between them, in order to move to a higher level of theoretical abstraction with the aim of generating new theory. The researcher conducted 75 in-depth interviews and semi-structured interviews, non-participant observation, and made use of archival documents. The thesis is organised as three empirical studies which can be read independently, but together constitute an in-depth study of institutional entrepreneurship in the informal economy.

The thesis's theoretical contributions to the field are as follows. The first study reveals the conditions that generated institutional change in the apparel value chain in response to prevailing conditions that were leading to increasing economic inequality. It presents a model that focuses on three social mechanisms which allow institutional entrepreneurs to build new institutions that were inclusive for large segments of society excluded by the formal sector. The second study explores the emergence of new forms of hybrid organisation in the informal

economy. Particularly, it focuses on how informal entrepreneurs organisationally respond to institutional complexity by identifying two types of logic - community and market - and a meta-mechanism that facilitates the interaction between the two logics, named normalisation of deviant organisational practices. The study highlights the two key generative mechanisms of the logics at play and suggests that actors embedded in the informal economy are able to dynamically adapt to two types of logic. It also emphasises how informal entrepreneurs exploit institutional arbitrage, which refers to the circumstances where entrepreneurs are provided with opportunities to exploit differences between two dimensions of the institutional environment, formality and informality. The third study explores how various types of actors and organisations such as social movements or hybrid organisations are able to develop alternative institutional arrangements to overcome the liabilities of emerging economies' institutions in an informal context. The study reveals that informal entrepreneurs entering a polycentric system are able to establish norms and rules of interaction, to exploit brokerage opportunities and multivocality between contradictory networks, and through robust action, generate proto-institutional outcomes.

Collectively, these three essays reveal novel knowledge about the organisational mechanisms behind informal economic activities, constituting a theoretical bridge between the fields of institutional theory, inequality and governance and providing fundamental insights for the development of new management theories.

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# **PART I**

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## **Chapter 1**

### **Introduction**

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*La Salada is thought to be South America's largest informal market. Around 30,000 wire-mesh stalls spill out of three warehouses in an unsavoury neighborhood on the outskirts of the capital. Its administrators reckon that on Tuesdays, Thursdays and Sundays, when the market is open, more than 250,000 shoppers browse its stalls. Tens of thousands of people help keep La Salada running—selling, protecting, cleaning and supplying the market. At the Punta Mogote warehouse, where most stalls are underground, so many people faint that an ambulance is kept on site.*

*(The Economist, January 2014)*

## **1.1 Background of the research**

When we talk about the “informal economy” we refer to business activities that are not registered or regulated, but which are not necessarily illegal (Hart, 2006). Nevertheless, the growth of the informal economy in the different spheres of social and economic life is a crucial phenomenon about which we still know little, in either developing or developed countries. As Portes, Castells and Benton (1989, p.11) have stated, while barter is governing international exchange, the cash economy is expanding in the micro-economic field. “The informal economy simultaneously encompasses flexibility and exploitation, productivity and abuse, aggressive entrepreneurs and defenceless workers, libertarianism and greediness [...] and, above all, there is disenfranchisement of the institutionalized power conquered by labor, with much suffering, in a two-century-old struggle” (Portes, Castells and Benton 1989, p.11). This definition well captures the complexities of the informality but also the heterogeneity of workers, entrepreneurs, individuals and stories that are part of it. Informal economic activity comprises a variety of forms, from more simple and precarious ones such as street vendors in Caracas, to more complex and sophisticated versions like physical markets that facilitate the distribution of large quantities of counterfeit merchandise in China and worldwide (USTR, 2014). The informal economy cannot simply be defined as a set of survival practices where marginalised people find a way to generate a basic income to survive. Studies have already shown the dynamic and authentic entrepreneurial spirit of informal economic activities (Portes, Blitzer and Curtis, 1986; De Castro et al., 2014; Vassolo et al., 2011). Even though the informal economy is largely present in developing countries, and working poor people are

very often part of it, the social and institutional processes behind the informality cut across the entire society and a variety of organisational forms, including those that are embedded in the formal economy.

Recent studies based on informal firms' settings can also provide substantial insights for institutional theory itself, as Webb et al. (2009, p.505) have stated: "little research has focused on organizations operating outside the laws and regulations in different societies or on how institutions can encourage ventures to transition from the informal to the formal economy". Furthermore, another contextual gap that has been pointed out by scholars is the lack of attention by institutional theory to the study of the informal economy in different societal contexts and countries. While the informal economy is present in many countries and growing in many contexts, there are differences and variations that should be accounted for in studies of this type.

Neuwirth (2012, p.16) claims that "there is another economy out there [...] it stands beyond the law yet is deeply entwined with the legally recognized business world [...] it is based on small sales and tiny increments of profit, yet it produces, cumulatively, a huge amount of wealth [...] it is massive yet disparaged, open yet feared, microscopic yet global". Very often the informal economy and the individuals who perform activities within it are considered worse-off than those who own formal jobs. Nowadays there is a growing discussion about the increasing economic and social inequality around the world; particularly, in emerging economies the contrasts between the rich and poor are striking and the mainstream consensus repeatedly indicates that informality is linked to the underdevelopment of developing countries and sometimes even stated as one of the causes (La Porta, Shleifer, 2014). How does the informal economy and the people working within it relate to economic inequality? Intuitively, the answer would be that the more informality we find in a society, the higher the economic inequality will be. Or that in contexts with higher inequality, sectors of the population are worse-off and consequently more likely to work in the informal economy, where they also earn low salaries. Since the late 1980s, an informal physical market named La Salada started its activity in the Province of Buenos Aires, Argentina. It all began by 1991, when a group of fifteen Bolivian families joined in a collective project that took as its template the organisation of informal fairs in their own country. They started by selling shoes, textile goods and food, in a place named Ingeniero Budge, Lomas de Zamora, within the Province of Buenos Aires. At the time, they were unemployed, distressed and with hardly any economic opportunities available. Although the mainstream consensus might propose that by joining the informal economy they could not have prospered much (Perry et al., 2007) their story proved very

different. They actually grew and created a market consisting of one organisational unit named Urkupina, which then generated another three organisational forms in its surroundings. The whole development became one of the most important retail-shopping malls in Argentina and South America, with nearly 30,000 stalls and annual revenue of over 500 USD million per year. Even the US Government has referred to La Salada as “one of the largest informal market places in the world” (see Appendix 10) and the European Union has called it “the largest piracy market worldwide” (see Appendix 9). This would seem to contradict what theory, often in economics, has taught us about informality so far. Paradoxically, disciplines such as economics have never looked in depth into informality or the entrepreneurial dimensions of the phenomenon. It has often relied on macro-data to describe informality and to explain patterns and behaviour. Yet they have failed to explain emerging organisational phenomena such as La Salada in Argentina, making simplistic approaches and giving naïve or incomplete explanations of economic success, such as the fact of being “illegal” or of avoiding taxation. The puzzle of how economic informality is organised and how it consolidates such a unique type of organisational form has remained unexplored. But, how has a street-market like La Salada consolidated, and, rather than being stigmatised, has gained social acceptance and legitimacy among large segments of the population in Argentina and in the rest of the South American countries? I depart from this general question to explore an interesting intellectual puzzle found in South America’s largest black market. I explore how the institutional entrepreneurs of La Salada have organisationally responded to the conditions of economic inequality of the apparel value chain. In particular, my interest is to understand how the institutional entrepreneurs of La Salada faced the lack of legitimacy of formal value chain institutions, and how they eventually generated institutional change. Recently, a growing body of literature has explored in more depth the relationships between inequality and institutions (Amis, Munir, and Mair, 2017; Riaz, 2015); this research project responds to the call for studying forms of institutional entrepreneurship or institutional work that can either exacerbate or minimise the levels of inequality. Specifically, this research study looks at the inter-organisational locus to highlight the issues related to the distribution of profits across the apparel value chain (Riaz, 2015).

Considering the substantial inequality that the Bolivian migrants in the late 1980s faced, a key element that I explore in the present study is the community ties that helped them survive and eventually succeed. In the emergence phase of this informal market, members of the Bolivian community started La Salada out of necessity, in order to generate a basic income that would let them survive. Unemployed, instead of working for large textile firms they decided to produce goods and sell them directly to the public. They would gather every week and

strengthen their community ties looking for mutual company and protection from the adversities of a hard way of life. The community factor proved to be particularly relevant to explain the beginning of this informal market. As de Soto (1989, p.11) states: “in order to survive, the migrants became informals [...] If they were to live, trade, manufacture, transport, or even consume, the cities’ new inhabitants had to do it illegally”. This was also true for the Bolivian community in Buenos Aires. Research studying the Bolivian community embedded in informality has showed the importance of the community ties, in particular “the protective mechanisms rooted in practices of production, exchange and financing in the informal economy” (Hillenkamp, 2013, p.1). Yet, from this community type of logic that was behind the initial stages of La Salada, quickly a more entrepreneurial, profit-seeking, and more aggressive market logic emerged. Formal entrepreneurs would also choose to work informally, renting their own stalls at La Salada. Simultaneously, increasing corruption, practises of bribes as well as use of violence started to make their appearance. While fascinating, such a type of hybridisation of an organisation at the intersection of the informal and illegal economies has no clear explanation and lacks comprehensive understanding. How does this type of hybrid organisation in the informal economy organise?

McGahan (2012, p.12) has pointed out an interesting characterisation of the informal economy: “an inherent paradox of unregistered activity, it may be free from government regulation and oversight, but it can be highly structured”. One of the most salient factors of the economic infrastructure in emerging economies is the presence of several voids. Marquis and Raynard (2015, p.310) argue that “where key market information is not readily available or reliable, and formal rules are not established or well defined, organisations face additional uncertainty and challenges”. This implies that often in the context of emerging economies, macro-institutions are either absent or weak. How do informal firms organise their economic governance when facing weak or absent macro-institutions? From this departure point, I introduce the research objectives and research questions of this PhD study.

## **1.2 Research objectives and research questions**

This PhD investigation focuses on three different components of institutions (Davis et al., 2005; Scott et al., 2000). The first one is institutional entrepreneurship; they are considered as social actors who have the skills to transform reality and exercise power and alter events or rules. In the case of this research project I am referring to institutional entrepreneurs that are embedded in the informal economy. Another component of institutions that is analysed is

institutional logics. Scott (2000, p.170) defines them as “belief systems and associated practices that predominate in an organizational field”. Institutional logics provide principles for organising, which define practice guidelines for the field participants (Friedland and Alford, 1991). Finally, a third component of institutions that is analysed is governance structures. According to Scott et al. (2000, p.173) governance structures are “arrangements by which field-level power and authority are exercised involving, variously, formal and informal systems, public and private auspices, regulative and normative mechanisms”.

Based on a grounded theory study of La Salada, South America’s largest black and piracy market (Sassen, 2011), I developed three different research questions to be addressed in three separate studies. In the first study I look in detail at the nature of wage inequality in the apparel value chain, and the relationship with the organisational response of informal entrepreneurs of La Salada. A high level of inequality undermines the legitimacy of formal labour institutions in the value chain as they are perceived as not legitimate by the Bolivians who work in the sweatshops. Thus, I try to answer how these informal entrepreneurs responded to these conditions of inequality by creating a more inclusive institution. In this study, economic inequality in value chain and institutional entrepreneurship in the informal economy are explored through the following question:

#### **Research question 1**

*How do institutional entrepreneurs exploit the illegitimacy of formal wage practices to generate institutional change?*

The second study addresses the following research question in order to advance understanding about hybrid organisational forms embedded in the informal economy:

#### **Research question 2**

*How do different institutional logics emerge within a hybrid organisational form embedded in the informal economy?*

Finally, and building on the previous essay, the third study considers the following research question to look at how economic governance and institutional arrangements are developed in the context of informality:

### **Research question 3**

*How are various types of actors and organisations such as social movements or hybrid organisations able to develop alternative institutional arrangements to overcome the liabilities of emerging economies' institutions in an informal context?*

Each of the three studies can be read autonomously, but there is a connection between them, in terms of evolution of the market and the opening research question which focuses on the initial organisational response to the conditions of economic inequality. As mentioned previously, the research context is the informal market place named La Salada, located in Buenos Aires, Argentina.

**Table 1**  
Overview of empirical studies

<b>E</b>	<b>Study Objectives</b>	<b>Study Questions</b>	<b>Methods</b>	<b>Findings</b>
1	To provide a deep understanding of the underlying dynamics between economic inequality and informal entrepreneurship.	How do institutional entrepreneurs exploit the illegitimacy of formal wage practices to generate institutional change?	<b>Qualitative</b> - Participant-observation. - Interviews. - Documents.	I identify the conditions that generated institutional change in the apparel value chain in response to prevailing conditions that were leading to increasing inequality and social exclusion. The model focuses on three social mechanisms allowing institutional entrepreneurs to build new institutions that were inclusive for large segments of society and excluded by the formal sector: (1) bricolage; (2) triggering subversive framings and (3) crafting political opportunity.
2	To provide a fresh perspective on hybrid organisational form embedded in the informal economy.	How do different institutional logics emerge within a hybrid organisational form embedded in the informal economy?	<b>Qualitative</b> - Participant-observation. - Interviews. - Documents.	I highlight a new meta-mechanism which characterises hybridity in the informal economy and integrate these logics into a theoretical model that explains how actors are able to co-exist with contradictory logics. I also show how informal entrepreneurs strategically exercise institutional arbitrage by shifting particular activities to the formal economy in order to secure specific advantages.
3	To provide substantive understanding of how social movement or hybrid organisations are able to develop alternative arrangements.	How are various types of actors and organisations such as social movements or hybrid organisations able to develop alternative institutional arrangements to overcome the liabilities of emerging economies' institutions in an informal context?	<b>Qualitative</b> - Participant-observation. - Interviews. - Documents.	It provides empirical evidence of how informal entrepreneurs implement robust action within an extra-legal context through a wise use of brokerage between contradictory networks and multivocality. I also provide evidence of the creation of proto-institutions from the interaction of informal and formal institutions.

Source: Author's elaboration.

## 1.3 Theoretical framing

### 1.3.1 Institutional entrepreneurship

Institutional entrepreneurs can work to maintain or disrupt institutions. They are fundamentally skilled in resolving institutional contradictions and fragmentations by leveraging their ability to move along the institutional spectrum and by taking advantage of opportunities for institutional change (Thornton, 2004). DiMaggio (1998; 1991) suggests that the building of new institutions entails a process of institutionalisation where institutional entrepreneurs are a variety of mobilised actors who benefit from the new institutionalisation development. In the case of La Salada, institutional entrepreneurs had to work from the periphery of the established environment (Leblebici, Salancik, Copay & King, 1991). The resources that institutional entrepreneurs mobilise are not just material, but also symbolic. Various authors suggest that institutional entrepreneurs play a key role in creating and transforming institutional arrangements, while other authors are careful about attributing too much agency or causality to specific individual actors, suggesting instead the relevance of collective elements of institutional entrepreneurship as a process (Hardy and Maguire, 2008). Much work has been done in the area of institutional entrepreneurship (e.g. Dorado, 2005; Battilana, 2006; Greenwood and Suddaby, 2006), and an emerging issue has been the paradox of embedded agency.

Institutional research has focused on how actors are able to transform existing institutions and institutional fields (Clemens, 1993; Greenwood et al., 2002), both in terms of transformation and deinstitutionalisation (Oliver, 1992; Ahmadjian and Robinson, 2001). For this purpose, Lawrence and Suddaby (2006) introduce the concept of institutional work. They depart from Jepperson's (1991, p.143), definition of "institutions as an organized, established procedure that reflect a set of standardized interaction sequences". Lawrence and Suddaby, (2006, p.216) abandon this approach for a more agentic one, defining institutions as "the product of purposive action". By doing so, they introduce the notion of institutional work as a more comprehensive type of construct to explain purposive action aimed at building or maintaining institutions. They begin with DiMaggio's (1988) work on "interest and agency", and, while they acknowledge the importance of institutional entrepreneurs as interested actors capable of influencing the institutional context, they also argue that such practices are performed by a plurality of actors, not only the most skilled ones, but also the supportive ones who facilitate the work of entrepreneurs (Leblebici et al., 1991). They also point out that deinstitutionalisation and maintenance can be implemented by different organisational actors, who can decide to actively engage in the work of maintaining or disrupting institutions (Oliver,

1991; 1992). They contend that the concept of institutional work provides a construct that describe a broader set of actors who are culturally aware of how they move across their institutional fields. They detail a set of specific forms of institutional work for the creation, maintenance and disruption of institutions.

While there is merit in this effort to provide an alternative construct to explain institutional change, in the frame of this dissertation institutional entrepreneurship is the preferred lens of my work. As stated by Garud and Maguire (2007, p.957), “institutional entrepreneurship is a concept that reintroduces agency, interests and power into institutional analysis of organizations”. Garud and Maguire (2007) suggest that the field of institutional research and entrepreneurship have tended to be separated in the past, one looking at how institutions were moulded by organisational processes while the other was interested more in how institutions were shaped by entrepreneurial actions. While separately each literature has its own limitations, together they provide a more solid approach to tackle the structure-agency debate. In the field of institutional theory this is referred to as the Paradox of embedded agency (DiMaggio, and Powell, 1991; Friedland and Alford, 2001; Sewell, 1992; Seo and Creed, 2002). The answer they provide is “conceptualizing agency as being distributed within the structures that actors themselves have created” (Garud and Maguire, 2007, p.961). This conceptualisation implies that the embedding structures represent opportunities for entrepreneurial behaviour and not only constraints. This approach presupposes that actors are self-reflective and knowledgeable individuals, capable of acting in ways that can go against the taken-for-granted prescriptions (Schutz, 1973; Garud and Karnoe, 2003; Mutch, 2007). As Garud and Maguire (2007, p.962) put it: “institutional entrepreneurship not only involves the capacity to imagine alternative possibilities, it also requires the ability to contextualize past habits and future projects within the contingencies of the moment if existing institutions are to be transformed”. Thus, institutional entrepreneurship includes the ability to visualise different paths and new options based on a reflection process. In the case of my study, institutional work, which is seen in the relevant literature as being carried out by a multiplicity of actors without an emphasis on a leadership role for any of them, is a less useful lens for viewing the emergence and evolution of La Salada, because in this instance, while there was a plurality of actors involved, the meaningful institutional work has been performed by central entrepreneurs, who possessed unusual social skills that made them clear leaders in the processes described and analysed here. Furthermore, and as Garud and Maguire (2007, p.962) reiterate, individuals who qualify as institutional entrepreneurs “must break with existing rules and practices associated with the dominant institutional logic(s) and institutionalize the alternative rules, practices or logics they are championing”. For this reason, the preferred

theoretical lens in this study is institutional entrepreneurs as it is the most appropriate approach to theorise the work of the key entrepreneurs and how they built La Salada. Previous work has focused on different lines of analysis of institutional entrepreneurship. Some of it has examined the specific properties of institutional entrepreneurs or analysed the actor positions in a given field and how a given position allows them to act as institutional entrepreneurs. Some scholars suggest that institutional change is originated by institutional entrepreneurs because of specific properties (i.e. qualities, skills, abilities, etc.). As in the example of Hardy and Maguire (2008), this line of work conceives the institutional entrepreneur as an “analytically distinguished social type who has the capability to take a reflective position towards institutionalized practices and can envision alternative modes of getting things done” (Beckert, 1999, p.786). According to Oakes et al. (1998) the meaning of subject positions is linked with the possible identities available in the field. Thus, fields represent “structured systems of social positions within which struggles or maneuvers take place over resources, stakes and access” (Oakes, et al. 1998, p.260). A seminal case is the paper of Maguire et al. (2004) about an emerging field in HIV/AIDS advocacy in Canada. Here the paradox of agency is not about how actors come up with new ideas but rather how marginal actors can get resources and get other, more central members of the field to adopt new practices and ideas. This approach, it has been argued, is the most suitable for future research as it establishes an institutional grounding of the institutional entrepreneur (Hardy and Maguire, 2008).

Other studies concerned with resolving the paradox of agency have focused on the initial field conditions and how these create opportunities for institutional entrepreneurship. The economists’ view of uncertainty refers to conditions where actors struggle to outline rational strategies because they cannot forecast the probabilities of various outcomes of their decisions (Knight, 1921; Beckert, 1999). In this view, institutions are devices to solve problems faced by cognitively limited actors. These actors are interdependent with other actors, which creates the context for opportunistic behaviour and transaction costs (Coase, 1937; Williamson, 1985; North, 1990). Within this view institutional entrepreneurship is conceived as “the activity of initiating, creating and leading organizations that specialize institutions that lower transaction costs” (Dew, 2006, p.16). Hardy and Maguire (2008) argue that we would expect to see these institutional entrepreneurs acting with field-level problems or a high degree of uncertainty within the field. However, Beckert’s (1999, p.783) opposite view suggests that “strategic agency that violates existing institutional rules can be expected in situations characterised by relatively high degrees of certainty within an institutional field”. Following Schumpeter’s conceptualisation of the entrepreneur, uncertainty follows the process of “creative destruction” of the institutional order but does not precede it. Hardy and Maguire (2008) suggest that the

relationship between uncertainty (at the field level) and institutional entrepreneurship is not completely clear, and they call for additional research in this area. Within this stream of work, scholars have noted that institutional fields are not totalising and shared phenomena, but they are rich in variations and struggles (Friedland & Alford, 1991; Holm, 1995; Haigh and Hoffman, 2012; Clemens & Cook, 1999). Thus, institutions are not solid and standardised in addition they are not always capable of determining people's behaviour; at the field level, multiple institutions may exist and create conflict with each other.

What matters for the understanding of institutional entrepreneurship is how these actors succeed in their efforts to change institutional fields. This key part of the literature focuses on the identification of the intervention strategies developed by institutional entrepreneurs. As Hardy and Maguire (2008) propose, this work focuses also on the strategies and activities in which institutional entrepreneurs engage (Lawrence, 1999); it may also focus on skills and abilities (Fligstein, 1997). Hardy and Maguire (2008) review the three most relevant themes in this area of work: the mobilisation of resources, the construction of rationales for institutional change, including discursive processes through which new practices are framed and legitimated, and the forging of new inter-actor relations to bring about collective action. Thus, scholars investigate the ways in which institutional entrepreneurs mobilise and re-combine resources, symbols and people in novel and meaningful ways.

From the early work of DiMaggio (1988), resource mobilisation has represented a central topic for institutional entrepreneurship. The literature has shown a wide range of resources, for example an actor's position within a social network (Beckert, 1999), material resources (DiMaggio, 1988), political and financial resources (Greenwood & Suddaby, 2006), cultural resources (Creed, Scully & Austin, 2002), and discursive resources (Hardy & Phillips, 1999; Lawrence & Philips, 2004; Maguire & Hardy, 2006). Institutional entrepreneurs mobilise resources to leverage against other actors, to negotiate support for the change (DiMaggio, 1988). In terms of the implementation of their strategies, institutional entrepreneurs may sometimes be able to operate a process of institutional change alone (Dorado, 2005), but more often they will have to negotiate and use strategies based on exchange mechanisms (Colomy, 1998). Institutional entrepreneurs deploy strategies where they can articulate rewards and punishments to other actors.

Scholars have also studied the context where the accounts are produced, since, as suggested by Hardy and Maguire (2008), institutional change is part of a historical context where institutional entrepreneurs need to wisely employ cultural accounts or professionalisation projects. Finally, a third body of work analyses strategic interventions in the light of desired

outcomes. In this area, the work of institutional entrepreneurs involves sharing ideas and participating in collective sense marking (Boxenbaum & Battilana, 2005; Edelman & Suchman, 1997). Here the emphasis is more on the skills of the institutional entrepreneur in achieving the desired outcome and less on the other actors involved.

Finally, institutional entrepreneurship research has focused on how relationships are deployed to bring about institutional change. Given that the ultimate goal of institutional entrepreneurs is producing institutional change, either by mobilising resources or constructing and communicating rationales for change, the ultimate goal is to develop new relations among actors. Institutional entrepreneurship then is conceptualised as the orchestration of collaborative relations, partnerships, coalitions, etc. Here political and social skills are key for the institutional entrepreneur to succeed (Perkman & Spicer, 2007). In contrast to the previous approach, here institutional entrepreneurs do not work alone but in co-operation with other actors in the field.

In this PhD study, institutional entrepreneurship is directly and indirectly its principal theoretical lens. This is because, from an agentic point of view, the key actors of this grounded theory study at La Salada are identified as institutional entrepreneurs, who are embedded in informality and are capable of starting a process of institutional change.

### **1.3.2 Entrepreneurship in the informal economy**

The ILO/Wiego terminology to define informality has proposed three main concepts: the first one is informal sector, referring to the activity by unregistered enterprises; the second is informal employment, or a workforce that lacks any protection by labour regulations; and the third is informal economy, covering all firms, workers and activities operating outside the legal regulatory system (Meagher, 2013). Within this study I will refer predominantly to the notion of informal economy and will refer to definitions used in the field of organisation theory and entrepreneurship.

As Godfrey (2011) explains, the competition of informal organisation ranges from individual street sellers to large formal organisations, which may prefer to perform their transactions informally and not comply with the laws. Godfrey's comments raise the importance of the topic of the informal economy, and above all, of understanding which firms are operating informally, and how they function. The scope of the informal economy is vast, as it extends from an emerging economy type of bazaar to more sophisticated formal businesses that rely on strategies to partially operate informally (Guha-Khansnobis, Kanbur & Ostrom, 2006). The

spectrum of values within the informal economy is also wide, including not only those known by management scholars, such as profit seeking, rational and marginal decision making, but also other traditional values like the role of family in business, religion, ethics and customs. These considerations briefly highlight how present is the informal economy in societies and organisations. In the literature, a wide range of disciplines within social sciences have studied this phenomenon, from the early work of Lewis (1954) in economics explaining the concept of the dual economy, to the pioneered anthropological work of Hart (1973) and his fieldwork in Ghana. During the last forty years studies looking at the informal economy have spanned work analysing property rights (DeSoto, 2000; Marcoullier and Young, 1995) to legal registration and taxation (La Porta, Schleifer, 2008), to institutional regulation (Castells and Portes, 1989), to the role of networks (Meagher, 1990), or including the role of illicit exchange (Venkatesh, 2006) and the work of international development organisations such as the ILO (2002) within the field of labour studies.

Earlier, other seminal studies have been looking at the informal economy as context, either from an anthropological point of view (Geertz, 1963) or from an economic sociology standpoint (Polanyi, 1957). Management scholars and organisation theorists have somehow neglected the study of informal firms (McGahan, 2012). Nevertheless, if we aim to expand the boundaries of the field and provide conceptual developments that can contribute to the understanding of organisational dynamics in emerging economies contexts, it is necessary to study organisations embedded in informality. For example, London and Hart (2004) argue that studying the informal economy will allow us to understand better capitalism and its functioning mechanisms at the bottom of the pyramid.

More recently, scholars in the field of strategy and entrepreneurship have pointed out the large gap that still remains between the relevance of the informal economy and the critical mass of published research. In a recent survey conducted among members of the strategic entrepreneurship journal, institutional theory appeared as the most prominent theoretical approach to study the informal economy and the activities within it. Ketchen, Ireland and Webb (2014) argue that institutions have the capacity to influence alternative courses of action by regulating behaviour at individual level, through complex systems that encourage economic activity and the factors that shape people's interpretation of the formal institutional prescriptions. Institutional theory, then, appears a particularly relevant lens for studying the informal economy. What is not often discussed, studied and analysed is the relationship and the linkages between the formal and informal economy. According to a study of the United Nations led by Martha Chen (2007) from Harvard School of Government, a key feature is that

the informal economy is growing around the world as a permanent phenomenon linked to modern capitalist development, growth and global integration. In her study, informality is recognised as a major sector within the economy but, also, the continuum of the economic relations between the informal and the formal economy is highlighted. Within this spectrum, there are many categories, workers and entrepreneurs that move along this boundary and operate simultaneously. In this PhD investigation, particularly in the second study, I show how formal entrepreneurs navigate informality by operating in La Salada and using arbitrage to establish certain activities formally and others informally. Chen (2007) discusses how the formal and the informal economy are dynamically linked, but scarcely any scientific study provides empirical evidence based on extensive field work, probably due to the many limitations in terms of access that these types of settings normally have. Another distinctive feature of these linkages is the segmentation in a variety of types of employment arrangements that can be identified within informality and along the spectrum, such as self-employment in informal enterprises, wage employment in informal jobs, own account operators or casual wage workers (Chen, 2007). The question of how the linkages between the formal and the informal economies are organised is an important one. Often the policy debate has reduced this question to how to formalise informal businesses. This approach has achieved rather limited results overall as it tends to understand the formal vs informal economy debate through the lens of the dual economy approach (Lewis, 1954). This type of approach can hardly capture the nuances of the different organisational forms moving along the continuum of formal-informal economy. Tokman (1978) proposed four typologies to understand the types of relationships between formal and informal economy. Later, further studies extended the theoretical understanding of these linkages (Harriss, 1990; Sethuraman, 1976), covering different developing countries' regions. These studies have tried to provide an answer to whether the linkages were beneficial or detrimental for the informal sector. They supported the idea that market distortions and lack of quality linkages were the most relevant issues at play. As such, this is an significant issue to understand more concretely for informal firms, and the first study of this dissertation provides ample evidence of the relationship and linkages between informal firms and the global value chain, particularly in the apparel value chain. I highlight how illegitimate formal labour institutions have pushed informal entrepreneurs and workers outside the market channels, and how these articulated an organisational response to this level of economic exclusion.

Beyond what was discussed until now, another salient element of informal firms is frequently associated with the status of illegality. Although the mainstream notion of informal economy is often associated with unregistered and unregulated business or enterprises, in the case of La

Salada, the three main organisational units that constitute the market are formally registered, and in terms of regulation, there is an actual law in place, known as *ley de ferias*, that regulates this particular type of activity. (Refer to Appendix 4: Law 14.369 of the Buenos Aires Province).

Thus, there is a necessity to understand how theoretically the entrepreneurial phenomenon functions within the informal economy. Webb et al. (2009) acknowledge the difference between what the society considers as legal (or complying with rules and regulations) and what it considers legitimate, which is determined by norms, values and beliefs. This implies that while formal institutions may stigmatise certain informal activities, informal entrepreneurs can identify modes to exploit opportunities in the informal or illegal domains. Therefore, although informal entrepreneurs may be acting in the illegal domain, they are still capable of having or gaining legitimacy within certain social groups. As Webb et al. (2009, p.496) state, “the informal economy couples illegality with legitimacy”, as it operates outside the boundaries of formal regulations, but inside the boundaries of informal institutions. This PhD study, particularly in the first study, analyses different aspects of the strategies used by informal entrepreneurs to establish themselves as legitimate business people, despite the illegal activities that are part of the market. Activities are deemed as legitimate or socially acceptable by a certain group as long as they are consistent with their sets of norms, values and beliefs (Webb et al. 2009). This notion is visible in the first essay of the thesis, where I present informal entrepreneurship as a response to economic inequality present in the apparel value chain in Argentina and identify the conditions that lead to a process of institutional change and a reduction of economic inequality. To do so, I propose a model of three social mechanisms deployed by the institutional entrepreneurs embedded in informality. As stated by Amis, Munir and Mair (2017, p.3): “the patterns of inequality are engendered by deeply entrenched power structures that are manifest in institutionalized beliefs and rules that dominate social and economic life”. These include ideologies, class systems, social structures and discourses, which all have inherent social inequalities. As inequality represents one of the most pressing societal issues of our time, so does the informal economy. According to a World Bank study developed by Beegle et al. (2014, p.6), “the informal sector represents 48% of non-agricultural employment in North Africa, 51% in Latin America, 65% in Asia and 72% in Sub-Saharan Africa”. Furthermore, the same authors point out how for example some of the largest and more rapidly growing economies in developing countries are dominated by informal firms in a variety of sectors such as retail and trade, wholesale, transportation, construction, real estate, reproduction of CDs and tapes, etc. The authors highlight that informal firms tend to dominate in certain sectors, such as retail, construction and other services (Beegle et al., 2014). But a

central component for this dissertation has been shown by other studies, which acknowledge that the informal sector and its relative size is positively related to income inequality, especially under weak institutions (Chong & Gradstein, 2007). Nevertheless, organisational and management scholars have never looked into this relationship in a substantive way. Informality, therefore, is a key societal issue nowadays, as it impacts the nature of work around the world, and as more evidence is suggesting, is strongly linked with inequality. This PhD investigation expands our understanding of how economic inequality manifests itself and contributes to the development of informality as a response mechanism. It helps us to understand why informal institutions are given legitimacy by certain social groups, even when they promote opportunities that are illegal (Jepperson, 1991). Larson (2002) suggests that in order to theorise about informality and inequality we must build from the particular before reaching for the universal. The author suggests a concrete engagement with the historical and social particularities of the informal economy, arguing that theory that can explain and predict will only be built from concrete social investigation and engagement. She also identifies informality as a territory where individuals can implement resistance strategies in the face of the globalisation of inequality, both for economic survival and even wealth creation.

Looking at the macro level, Alonso (2007, p.78) finds that “social inequality can drive certain segments of society to resort to informal institutions as defence mechanisms and for collective protection”. The relation between inequality and the development of informality is confirmed by the direct correlation between the levels of inequality of countries and the relative weights of their informal sectors (Perry et al., 2007). Nevertheless, we face a gap in the field of management and organisational studies, by lacking solid explanations about the mechanisms and processes that entrepreneurs put in action when they are embedded in both informality and inequality. This study provides findings that contribute to the understanding of core social mechanisms that may help to minimise the effects of economic inequality.

### *Formal and informal institutions*

Scholars have been discussing how to define constructs such as institutions for a long time (Hodgson, 2006). Institutions have been defined as “the kinds of structures that matter in the social realm: they make up the stuff of social life” (Hodgson, 2006, p.2). Various scholars also point out the relevance of conventions and rules (Sugden, 1986; Searle, 1995) to understand the functioning of institutions and how they structure social interactions.

While there is not a universally accepted definition, Douglass North (1991, p.97) defines institutions as “the humanly devised constraints that structure political, economic and social interaction...they consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)”. This definition conceptualises institutions as the rules of the game and informal social norms which are at the base of individual behaviour and social interactions. This approach belongs to the field of new institutional economics, which incorporates the study of institutions into economics, building on neo-classical theory and the assumption of scarcity and hence competition.

Within the stream belonging to what is called neo-institutionalism, institutions have been defined differently. Particularly, the definition developed by Scott (1995, p.33) suggests that “institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior”. Institutions, then, are created on the basis of different constructs such as culture, structures and routines, and all have different levels of influence. This definition of institutions strengthens the application of institutional theory to broader levels of analysis and a variety of topics and settings. It is used within this dissertation. This is consistent with the idea that “institutional theory places socially constructed beliefs, norms, and rules at the centre of organisational routines and structures” (Haunschild and Chandler, 2008, p.629, citing Berger & Luckman, 1967; Meyer & Rowan, 1977; Scott, 2001; Zucker, 1997). DiMaggio and Powell (1983) have substantially contributed to the development of neo-institutional theory, particularly focusing on the meso-perspective. Rather than world culture, and the broad societal level of analysis, they focus on organisations in their analysis. As a result, according to Hasse and Krucken (2008, p.542) “organizational and inter-organizational parameters gained status as independent variables, and in this respect the perspective has been meso-sociological...the basic units were organizational fields (not a single organization); and any organization was considered to be embedded in a distinct setting of organization” (Greenwood, Hinings, 1996). As commented previously, informal institutions encourage conformity with social groups through norms, values and beliefs that legitimise behaviour (Webb et al., 2009). Nevertheless, there is still a gap in understanding the interplay between formal and informal institutions at the organisational level. Glynn et al. (2000) pointed out that ignoring the dimension of legitimacy can lead to either over- or underestimating the expectations and power of the main constituents. Formal institutions are normally represented by laws, regulations and systems of bureaucratic apparatuses, but those are not always considered appropriate, legitimate or effective by individuals living in uncertain and unstable institutional environments characterised by a lack of rule of law (Vassolo, De Castro, Gomez-Mejia, 2011). The incongruences between the message sent by formal

institutions and the practical effects of informal institutions is what makes the latter suddenly legitimate for large social groups. Webb et al. (2009) question the use of legitimacy in the literature to refer to the prescriptions of both formal and informal institutions, as it can lead to ambiguity when trying to differentiate the requirements of both types of institutions. As Meagher (2013) proposes, when studying organisational phenomena embedded in informality, informal institutions and informal markets can be discussed. Informal institutions “refer to organizational forms that govern informal economies, given that they are by definition outside the regulatory ambit of the state” (Meagher, 2013, p.2). In their seminal work, Helmke and Levitsky (2004, p.727) define informal institutions as “socially shared rules, usually unwritten, that are created, communicated, and enforced outside officially sanctioned channels”. In contrast, informal markets refer to “organizational arenas in which informal economies operate, where labour, goods or services are traded outside the framework of formal regulations, but often subject to a range of informal regulatory arrangements” (Meagher, 2013, p.2). A recent study by Levitsky and Murillo (2013, p.33), investigated patterns of institutional change in settings where rules are coherently enforced; they found that “in such an environment, institutional change often follows a pattern of serial replacement, characterised by repeated episodes of wholesale change”.

In an OECD study on informal institutions (de Soysa and Jutting, 2007), the authors argue that while the literature has discussed in depth the role and content of formal institutions, less has been done with informal institutions (Helmke and Levitsky, 2004). De Soysa and Jutting (2007) suggest that within the literature scholars agree upon the idea that formal institutions alone do not fully explain human behaviour and processes of institutional change. They also argue that despite the renewed interest in studying informal institutions’ settings, there is a lack of systematic studies. The main reason, they suggest, is that “informal institutions are difficult to identify, measure and quantify [and] often relate to dimensions of a society’s culture that economists and other social scientists prefer to avoid” (de Soysa and Jutting, 2007, p.30).

A key aspect of informal institutions relates to their levels of legitimacy and acceptance, even if these are not generally codified; Ostrom (2005) defines them as “rules in force”. De Soysa and Jutting (2007, p.31) provide an alternative definition as “socially sanctioned norms of behavior or extensions, elaborations and modifications of formal rules outside the official framework”. Informal institutions are enforced through mechanisms of self-governance administration, gossip, threat and use of violence. Another distinctive element of informal institutions and their interaction with formal institutions is the nature of their role. In some

cases, they can be considered complementary to formal institutions, for example if both types of institution provide similar incentives or enforcement types (de Soysa and Jutting, 2007). In other cases, informal institutions can either accommodate the functioning of formal institutions (when they diverge), or they can compete, in case formal institutions are considered not fully effective, and finally they can substitute formal institutions in cases where there is a total lack of effectiveness (de Soysa, and Jutting, 2007).

Institutional theory has been focusing on the stability of formal institutions to better understand their enforcement capacity (Scott, 1995), in particular, states' capacity to enforce formal rules and laws (North, 1990). One way entrepreneurs can capture opportunities in the informal economy is by playing with this lack of enforcement capacity of the state, or simply by moving along the incongruences of formal institutions. Webb et al. (2009) explain that one of the deficiencies that contribute to the weak enforcement of formal institutions is the concentration on the activities of large firms and industries. This reveals how state enforcement may be more effective in targeting large fields or firms, but less effective in understanding the behaviour of smaller informal firms. Another motive that explains incongruences in formal institutions is related to the quality of the formal institutions themselves. Formal institutions are represented by agents, and in institutional environments characterised by corruption, it is not rare to see negligence or selfish interests. This can lead to corrupt activities, such as the payment of bribes. In such cases, the legitimacy of formal institutions has been damaged and, again, informal entrepreneurs develop tactics and strategies to leverage such situations. This reveals that weak enforcement of formal rules can strengthen informal entrepreneurs' capacity to capture opportunity (Webb et al. 2009). The third essay of this investigation looks at this relationship and provides compelling evidence. I specify the conditions of the context where informal entrepreneurs operate, characterised by weak macro-institutions with limited capacity for enforcement. I highlight how, consequently, informal entrepreneurs are capable of entering a polycentric system of governance, where the other actors who can enforce rules as well are lower-level formal institutions, such as municipal-level institutions and the local police. In this study I provide evidence that goes beyond the simplistic proposition that informal entrepreneurs leverage opportunities because of weak enforcement of formal rules. I show the brokerage role of institutional entrepreneurs in the informal economy and how they can generate proto-institutional outcomes from this interaction.

This study takes seriously the call of Webb et al. (2009) that the entrepreneurial activity in the informal economy has received very little sound theoretical development. Different studies have proposed the use of institutional theory to deepen the theoretical understanding of

institutional variances in the informal economy. However, institutional theory has not paid enough attention to social actors embedded in contexts of strong institutional constraints; this PhD investigation contributes to fill this important gap.

### **1.3.3 Social movement and organisation theory**

Social Movement Theory (SMT) has been central in disciplines like sociology and political science and has gained significant conceptual development by studying issues like organising to register black voters (McAdam, 1988), mobilisation of workers, and women (Clemens, 1977), the emergence of gay/lesbian movements or environmentalism movements (Larana, Johnston & Gusfield, 1994). The most powerful insight gained by the integration of SMT into institutional analysis is to provide a more compelling view of processes, actors and structures in the field and to explain how institutional change happens. These theoretical tools add a new repertoire to theorise how for example legitimation happens or how incumbents articulate their actions, and it adds a more dynamic understanding of the fields. A central topic here is how social movement theory and institutional theory can help us to understand the way multiple logics, contradictions and ambiguities activate field change and emergence (Schneiberg and Lounsbury, 2008). Another gap that was identified is related with the analysis of movement organisations creating the political conditions for diffusion and other institutional processes. There has been also application of organisation theory to social movement (Minkoff, 1993; 1997). Nevertheless, the authors call for more research in this direction given the still early work done so far. To take this integration in a compelling way Davis, McAdam, Scott and Zald (2005) call for generation of the missing knowledge, namely a detailed understanding of the similarities in terms of mechanisms deployed by organisations and social movement theory scholarships. Mechanisms have outstanding explanatory power (McAdam et al. 2001). The social movement literature “stresses the importance of issue framing as critical to movement success [...] and organizational theorists have sought to explain how different practices diffuse within organizational populations” (Davis et al., 2005, p.3). Furthermore, the same authors point out that organisational theorists have been analysing different types of organisational forms, which coincides with the social movement literature. The social movements field started with the work of Gamson (1968; 1975; Tilly and Rule, 1965; Zald and Ash, 1966) and it soon began to adopt political and organising types of arguments to explain collective action problems, for example social unrest. Social movement scholars have been studying phenomena such as protest and reform activities, or the emergence of the black rights movement in the US. For this reason, scholars in this field came up with seminal concepts

such as resource mobilisation, today frequently used in organisational studies (Zald and McCarthy, 1987). Within this field, new concepts have also emerged taking into account the political dynamics of societies and organisations, for example by crafting categories such as political opportunities. On the other side, organisational studies have focused more on ecology and resource dependence (Pfeffer and Salancik, 1978) up to the more recent neo-institutional theory (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). From a historical perspective, while organisation theory focused more on structure, established organisations and organisational fields, social movement literature has paid more attention to processes, emergent types of organisations and movement-centric ones (Davis et al., 2005).

In this PhD the literature in social movement and organisation theory provides new insights about the social mechanisms deployed by institutional entrepreneurs embedded in the informal economy. Both fields have developed a strong interest in understanding dynamics of change and processes of collective action. The contribution to this stream of literature emerges in the first essay of the thesis.

#### **1.3.4 Governance arrangements and hybrid organisations**

According to Dixit (2004, p.1), “most economic activities and interactions share several properties that together create the need for an institutional infrastructure of governance”. But what types of arrangements are organised when the law and its enforcement cannot be guaranteed? Dixit (2004) argues that societies and groups organise and provide an alternative set of institutions. Following Rodrik (2003), social arrangements can have equal consequences to those of state institutions. The field of alternative institutions for the protection of property rights and contract enforcement has been further developed by Dixit (2004).

Meagher (2013) suggests that a growing body of literature has been looking at the linkages between the formal and the informal economy in terms of governance approaches. She explains that interesting typologies have been elaborated, for example by Helmke and Levitsky (2004) based on Latin America, or by Grzymala-Busse (2010) based on post-communist states. In both cases, from a governance perspective the emphasis is on understanding how formal and informal institutions either reinforce each other or the informal institutions provide a gap-filling action. In terms of governance, Ostrom (2009) describes those that have always been considered the two optimal organisational forms, the market and the government. She states that while “the market was seen as the optimal institution for the production and exchange of private goods [...] for non-private goods, on the other hand, one needed the government to

impose rules and taxes to force self-interested individuals to contribute necessary resources and refrain from self-seeking activities” (Ostrom, 2009, p.409). This dichotomous view of reality, she argues, does not allow us to understand more complex patterns of institutional arrangements that cannot be fully categorised in one way or the other; more complex human systems exist and governance could be conceptualised differently. According to Ostrom, Tiebout and Warren (1961), the term polycentric refers to several independent centres of decision-making that constitute an interdependent system of relations. This important notion of polycentricity as an alternative arrangement of governance was developed by The School of Bloomington, Indiana, characterised by the work of both Vincent Ostrom and Elinor Ostrom. The concept can be summarised as “a spontaneous order in which multiple and independent decision-making centers and actors make mutual adjustments for ordering their relations within a general framework of rules and norms” (Batjargal et al., 2013, p.1026; Ostrom, 1999a; Polanyi, 1951). This type of governance can be formalised to different extents. In the field of the informality, policies have also been promoted to formalise these specific arrangements. For example, one possible policy to help the poor has relied on the idea of extending formal legal property rights to the informal sector (Guha-Khasnobis, Kanbur, Ostrom, 2005). Their contribution, anyhow, is to suggest a positive form of governance which integrates the formal and informal economies, or, as they positively conclude, “we can fruitfully use the terminology of informal-formal to characterise a continuum of the reach of official intervention in different economic activities” (Guha-Khasnobis, Kanbur, Ostrom, 2005, p.24).

In terms of governance and hybrid arrangements, new institutional economics have been paying little attention to alternative forms of governance. In economics, the notion of hybrid refers to “all forms of inter-firms’ collaboration in which property rights remain distinct while joint decisions are made, requiring specific modes of co-ordination” (Menard, 2005, p.294). Boisot and Child (1988) suggested that in terms of governance, the popular model developed by Williamson (1975) should take into account fundamental extensions in order to fully understand social preferences and context-embedded cultural elements in emerging economies such as China. The most significant criticism of Williamson’s (1975) approach towards governance has been that it only recognised a limited set of possible structures, purely market and purely hierarchy, with very little room to understand other forms of governance in contexts where the information is not wide-spread, such as China. Very little attention has been paid in the literature of management and organisation theory to alternative governance arrangements in the context of emerging economies and those characterised by informality.

Within the field of organisation theory, the term hybrid organisation has a more specific definition and conceptualisation: following Battilana and Lee (2014, p.397) hybrid organisations can combine multiple organisational forms or logics. More recently, the authors have established a more compelling approach towards hybridity by suggesting the concept of hybrid organising, which can be defined “as the activities, structures, processes and meanings by which organizations make sense and combine aspects of multiple organizational forms”.

In the field of organisational studies, the notion of hybridity also refers to a combination of different organisational identities. The early work of Albert & Whetten (1985) suggests that identities are the core element of any organisation. Different identities can be combined and can have different degrees of synergy (Pratt & Foreman, 2000). This approach to hybridity emphasises its intra-organisational consequences in terms of how hybridity shapes the organisational experiences of individual actors (Glynn, 2000; Pratt & Rafaeli, 1997) and how the configurations of identities can generate discrepancies and contradictions between individuals within the organisation (Golden-Biddle & Rao, 1997; Pratt & Foreman, 2000). Hybridity can also be represented as a combination of multiple organisational forms (Polos et al., 2002). In this case, hybridity arises from the mix of different organisational forms (Padgett & Powell, 2012). Finally, hybridity can also be represented as a combination of multiple institutional logics. In the second study of this investigation, I focus on a hybrid organisational form embedded in the informal economy with multiple logics. The study provides a fresher perspective about a new meta-mechanism that I define as “normalisation of deviant organisational practices”. Finally, the study provides insights into the generative mechanisms of the institutional logics that are present in La Salada.

### **1.3.5 Institutional logics and normalisation of deviant practices**

“The institutional logics approach as meta-theory provides tremendous capacity to develop theory and research across multiple levels of analysis” (Thornton and Ocasio, 2008, p.106). Friedland and Alford (1991) substantiated this idea by suggesting that the key institutions of society are those shaping preferences, interests and behaviours, and that such institutions show contradictions that are eventually exploited by individuals and organisations, transforming the institutional relations of the society (Friedland and Alford, 1991). The institutional logics approach highlights the inconsistencies of the rational-actor models derived from new institutional economics, where the key premise is the rationality behind individuals’ exchanges, their ultimate goal being the maximisation of utility. In this approach, instead, each institutional order possesses a core logic which provides organising anchors and identities to

individual actors. Individuals and organisations can manoeuvre practices and symbols in their favour. Further, the authors conceive society as an inter-institutional order, which is significant in order to understand human behaviour within organisational settings. Jackall (1988, p.112) describes institutional logics as “the complicated, experientially constructed, and thereby contingent set of rules, premiums and sanctions” that humans create to make behaviour regularised and predictable. Thus, while Friedland and Alford (1991) focus more on the relationship between practices and logics, Jackall’s (1988) conceptualisation devotes more attention to the normative dimensions of institutions.

Thornton, Ocasio and Lounsbury (2012, p.1) describe the institutional logics perspective as a “metatheoretical framework for analysing the interrelationships among institutions, individuals and organizations in social systems”. The institutional logics then represent frames to help study social actors and the conditions for sense-making within organisations. Thornton and Ocasio (2008) suggest that the institutional logics approach includes a meta-theory approach about how actors within organisations can promote change or stability based on a given logic.

Greenwood et al. (2011, p.318) state that “organizations face institutional complexity whenever they confront incompatible prescriptions from multiple institutional logics”. Institutional logics offer the arena for individuals to move, but when an organisation expresses two or more types of beliefs and values, institutional complexity arises (Kraatz and Block, 2008). If the assumptions of the different logics in play are not compatible, contradictions and challenges appear within the organisation (Greenwood et al., 2011). Different logics, then, can co-exist within an organisation. But the categories of each of these logics are not always fully compatible; for example, logics based on share price and those based on trust and reciprocity can generate pressures in individual members of hybrid organisations. Scholars have discussed cases of organisations moving from community to market logic (Lounsbury, Ventresca and Hirsch, 2003), or effectively balancing the two logics (Lounsbury, 2007). Nevertheless, while there are cases that positively document the balancing processes between these two logics, we know very little about how mixed logics are balanced in organisations embedded in the informal economy.

Discussing the importance of hybrid organisations and institutional logics for firms embedded in the informal economy, I present the concept of normalisation of deviant organisational practices (Vaughan, 1999; Earle, Spicer, and Peter, 2010). Vaughan (1999, p.273) defines a deviant organisational practice as “an event, activity or circumstance, occurring in and/or produced by a formal organization, that deviates from both formal design goals and normative

standards or expectations, either in the fact of its occurrence or in its consequences”. Normalisation can happen quickly and for different motives, for example, lack of enforcement or weak governance (Li and Ng, 2013).

A practice that can be considered as deviant may become embedded in an organisation. This can happen if the members of such an organisation allow these emergent practices to stabilise. When that happens, a practice that would normally be considered as unacceptable can become part of the organisational culture (Ashforth and Anand, 2003). A deviant practice is therefore able to turn into a routine and become part of the organisation. When deviance is permitted, actors within a given organisation can institutionalise the practice into corrupted behaviour that creates new social norms. Literature provides three phases of normalisation: institutionalisation, rationalisation and socialisation (Ashforth and Anand, 2003). Within this field of the literature, scholars have dealt with issues such as organisational misconduct (MacLean, 2008), escalation of cases of corporate corruption within firms (Fleming and Zyglidopoulos, 2008), and the role of organisational culture in promoting corruption (Campbell and Goritz, 2013). In the second study of this thesis, I provide evidence of how a normalisation of deviant organisational practices occurred within La Salada and why such a meta-mechanism is critical to understanding hybridity in the informal economy.

#### **1.4 Summary of the studies and findings**

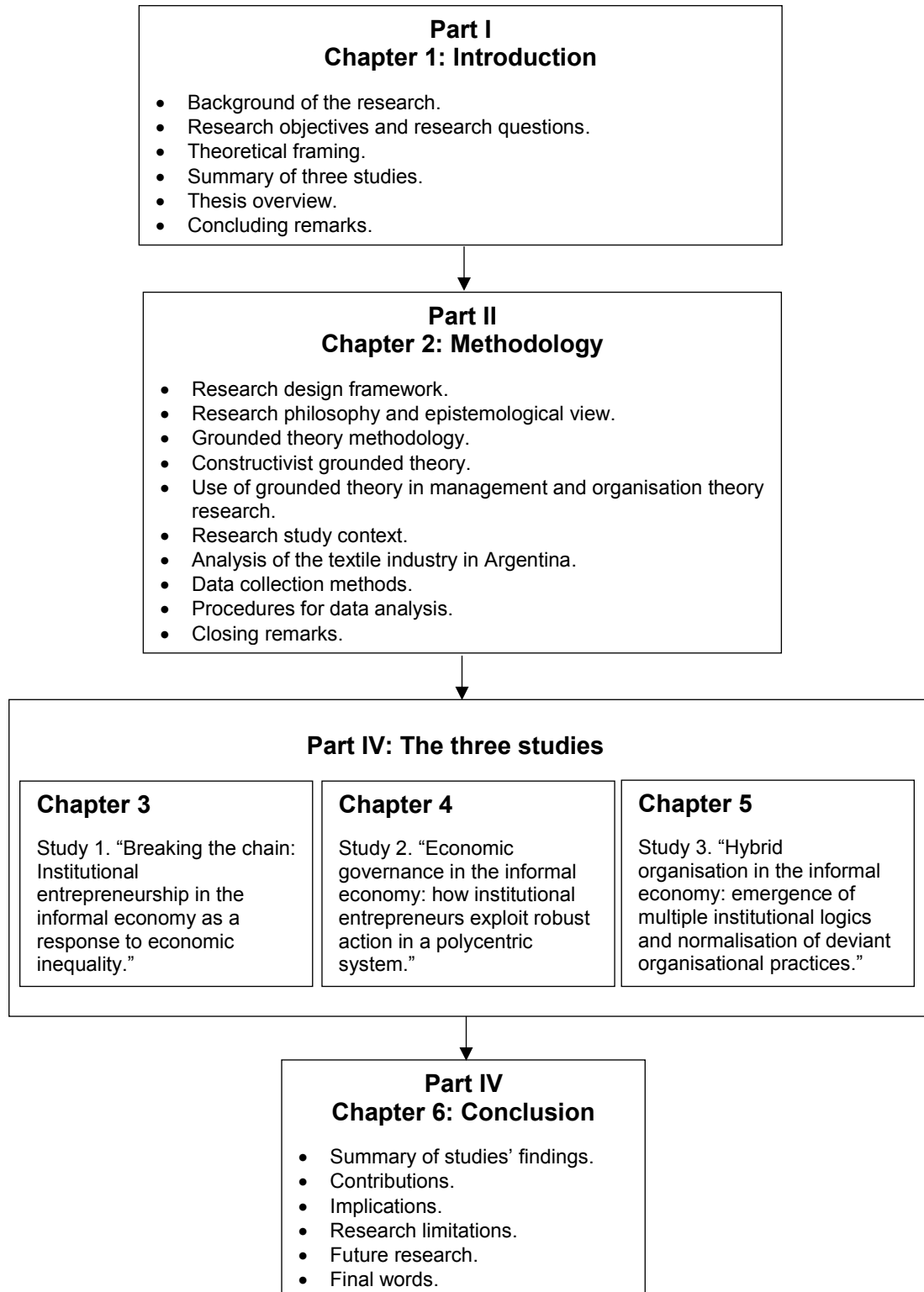
The three studies collectively extend our understanding of the phenomenon of institutional entrepreneurship in the informal economy. The first study provides substantive insights into the conditions that generated institutional change in the apparel value chain in response to prevailing conditions that were leading to increasing inequality. The second study contributes to the literature of hybrid organisation and explores how hybridity functions in the informal economy by highlighting a new type of meta-mechanism (normalisation of deviant organisational practices) and showing how informal entrepreneurs strategically exercise arbitrage. The third study provides deeper insights into how governance is organised in the contexts of emerging economies, by highlighting the importance of brokerage work between networks and multivocality to build proto-institutional outcomes.

## **1.5 Concluding remarks**

This introductory chapter has presented the studies featured in this investigation. The chapter introduced the structure of three empirical studies that seek to enhance our understanding of institutional entrepreneurship in the informal economy, by looking into the conditions that lead to institutional change in a context of high economic inequality, as well as the mechanisms implemented for the creation of more inclusive institutions. Given the lack of research on hybrid organisational forms embedded in the informal economy, the chapter also showed the co-existence of institutional logics and the emergence of a meta-mechanism named “normalisation of deviant practices”. Finally, the chapter provided insights about how hybrid or social movement organisations in emerging economies can build alternative governance arrangements. Following this, the chapter provided the research questions and the theoretical framing of the thesis and the overall summary of the three studies and their findings. The next chapter provides an account of the methodology used for this dissertation.

**Figure 1**

Overview of the thesis structure



Source: Author’s elaboration.

# **PART II**

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## **Chapter 2**

### **Research Methodology**

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## 2.1 Introduction

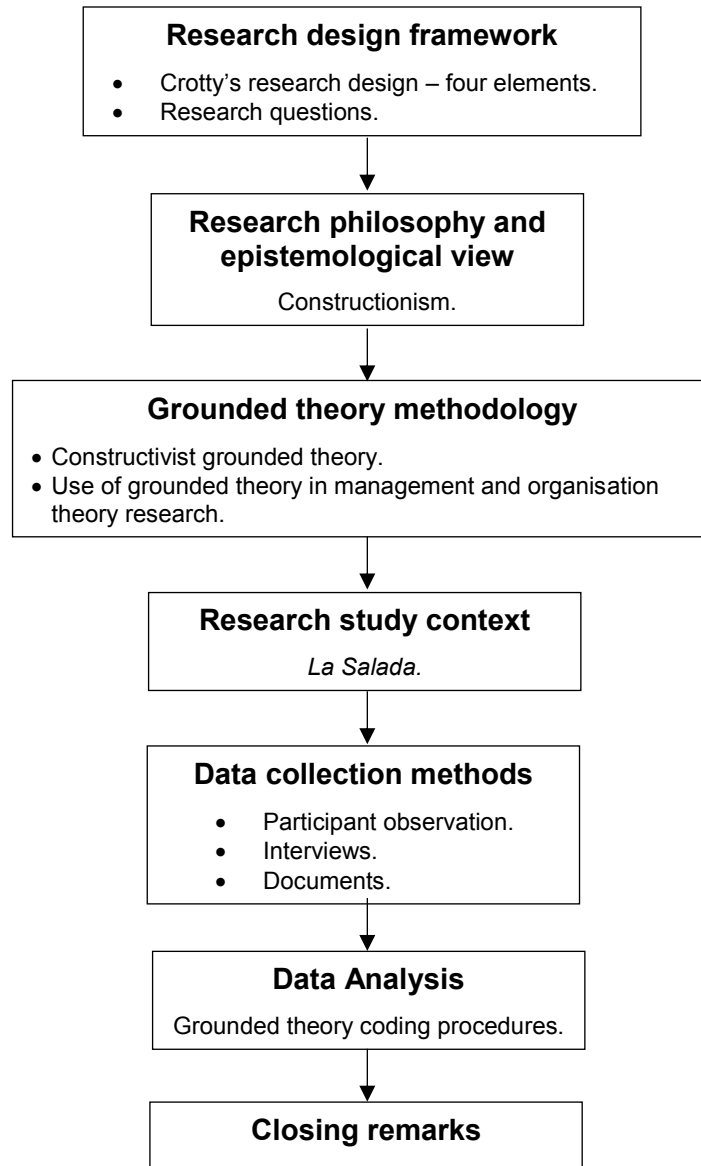
This PhD study is driven by a constructionist<sup>1</sup> epistemology and an interpretivist theoretical perspective. Constructed to achieve the most definitive results for its focused research into institutional entrepreneurship phenomena embedded in the informal economy, the study has pursued a systematic approach to inquiry based on inductive, comparative, interactive and abductive processes of analysis (Charmaz, 2006). The study has adopted a constructivist grounded theory methodology (Charmaz, 2000).

The aim of this chapter is to fully explain its methodological choices via Crotty's (1998) research design framework. The chapter will provide the epistemological and ontological assumptions on which those choices are based, describe the project's adopted grounded theory methodology, and detail its data collection methods. It will then explain the data analysis process, which was informed by constructivist grounded theory procedures (Charmaz, 2006). This chapter therefore provides an exhaustive account of the methodological assumptions on which the study is based.

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<sup>1</sup> In this PhD dissertation I use interchangeably the term "constructionism" and "constructivism" based on how different authors use the term in their work.

**Figure 2**  
Research design framework



Source: Author's elaboration.

## 2.2 Research design framework (research questions)

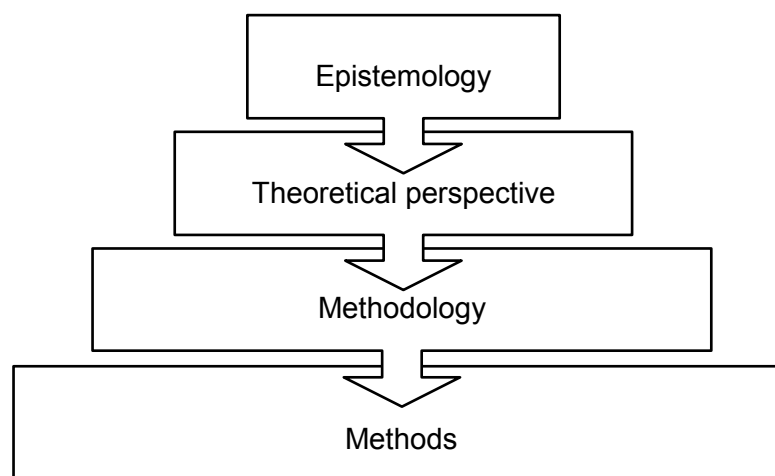
Bell and Wilmott (2015, p.22) state that “by research, we mean the production of knowledge that is justified by reference to science which we understand to comprise contested and

evolving social practices oriented to the pursuit of forms of knowledge that are assigned credibility by communities of scientists”. They suggest that a first step to develop a research project is to clearly establish what methodologies and methods will be employed, but also to justify the choices and the uses of certain practices and procedures. Establishing methodological choices and justifying them also provides solid statements about the researcher’s perspective on reality. To discuss these assumptions implies to debate my theoretical perspectives as well (Crotty, 1998). To make explicit these assumptions about the kind of knowledge pursued in this PhD investigation I utilise the research design framework developed by Crotty (1998). This allows the following fundamental principles to be defined: the methods to use in the study; the methodology that governs my choices and use of methods; theoretical perspectives behind the methodology applied; and the epistemology that informs the given theoretical perspective (Crotty, 1998, p.2).

Epistemology refers to “the theory of knowledge embedded in the theoretical perspective and thereby in the methodology” (Crotty, 1998, p.3); the theoretical perspective represents the philosophical position informing the overall methodology and consequently offers a context of meaning for “grounding its logic and criteria” (Crotty, 1998, p.3); the methodology is the overall course of action that justifies the choices and the use of certain methods, connecting them to obtain the research results; finally the methods are the measures and techniques that the researcher applies to gather and then analyse data related to certain research questions (Crotty, 1998). Figure 3 shows the research framework described:

**Figure 3**

Four elements research design framework

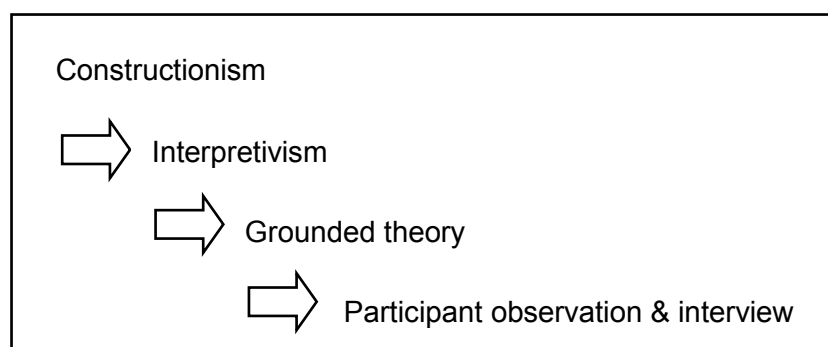


Source: Crotty (1998).

According to Crotty (1998), these four elements should be aligned and should highlight a coherent methodological approach. In this investigation my epistemology is represented by constructionism, which denotes a view that Crotty (1998, p.42) explains as “all knowledge, and therefore all meaningful reality as such, is contingent upon human practices, being constructed in and out of interaction between human beings and their world and developed and transmitted within an essentially social context”. It is the practices people and groups in their relevant milieu have developed that I am studying, distinct from other non-mutable external factors, such as what natural resources are available, and so it is their construction of custom and value that I seek to reveal. Likewise, my theoretical perspective - that is, the philosophical stance behind my overall methodology, which corresponds to what Blaikie (1993) calls ontology, and “refers to how one views the world” - is that of interpretivism. According to Blaikie (1993, p.96) interpretivism “entails an ontology in which social reality is regarded as the product of processes by which social actors together negotiate the meanings for actions and situations”. Thus, this further embeds in the study’s approach the focus on human actions producing meaning in their reality. The main methodology is grounded theory, defined as “the discovery of theory from data” (Glaser and Strauss, 1967, p.1), or, simply, once I establish my findings I analyse them to generate a new perspective on the topic if necessary rather than retaining pre-existing ones. Finally, methods include participant observation (Jorgensen, 1989; Rosen, 1991), in-depth interviews (McCracken, 2001) and also use of archival documents (Ventresca and Mohr, 2001). In Figure 4, the research design framework is introduced, based on the four elements described above.

**Figure 4**

Elements of research design used in this study



Source: Author’s elaboration.

The overall research design is influenced by the epistemology and theoretical perspective. In order to address how institutional entrepreneurs embedded in the informal economy responded to the structural economic inequality of the textile value chain and how they articulated their responses by dealing with the ambiguity of formal institutions (practices), an inductive, qualitative approach was adopted. This seemed the optimum approach to discover unanticipated actions and values, and to allow the analysis of the responses of institutional entrepreneurs in the specific context of informality and high levels of economic inequality. The study was designed therefore to generate a new theory, and not to test any existing one. The overall investigation is organised into three separate studies which can be read independently but that collectively will add up to a substantial body of research findings, drawn together as a unified research project. The three studies therefore offer a stronger chain of evidence of the findings and also provide a richer and more profound understanding and granularity of the phenomenon of institutional entrepreneurship in the informal economy.

### **2.2.1 Research questions**

The study begins with a general inquiry into how informal entrepreneurs organise themselves in a context embedded in high levels of inequality and poverty. In doing so, it required immersion in a variety of literature and conceptual strands belonging to the fields of organisation theory, institutional theory, strategy in emerging economies, entrepreneurship in emerging economies and social issues in management. This exercise has been the starting point that allowed the study to conceptually expand, without limiting the scope of its theoretical focus, as suggested by Charmaz (2006). In terms of the initial research focus, grounded theory guidelines suggest that the researcher should remain open and with a general focus, inductively building a relationship with the unknown research problem (McCallin, 2003). From the inductive observation, gradually the researcher is able to develop categories and concepts (Charmaz, 2006).

According to Agee (2009, p.432), “qualitative research questions, then, need to articulate what a researcher wants to know about the intentions and perspectives of those involved in social interactions”. Charmaz (2006, p.154) pointed out the differences between postulating research questions in qualitative studies and postulating them in quantitative studies: “qualitative study does not begin with a hypothesis or presumed outcome as is the case in quantitative study”. Nevertheless, as argued by some scholars, qualitative studies often start with research questions based on strong intellectual curiosity about a particular topic (Janesick, 2000). In

this sense, one of the most challenging aspects of framing sound research questions is to combine enquiring about particular phenomena with addressing the relevance of the study to a specific field or discipline (Agee, 2009). In grounded theory studies, research questions represent “statements that identify the phenomenon to be studied” (Backman & Kyngas, 1999, p.149). Research questions should allow the researcher to retain a broad focus and a degree of flexibility in exploring the research issue in depth, which implies that the researcher can modify the research question, including during the data collection process (Glaser, 1978). In light of the methodological guidelines of grounded theory and also in relation to the formulation of my research questions, I asked the informal entrepreneurs I interviewed questions relating to their experience of working at La Salada, how they started to work there and what it meant to them. I also asked them how an organisation such as La Salada emerged, and how they felt they related to the formal economy and to being considered illegals. In light of the informants’ answers and insights, I developed the following research questions:

#### **Research question 1**

*How do institutional entrepreneurs exploit the illegitimacy of formal wage practices to generate institutional change?*

#### **Research question 2**

*How are various types of actors and organisations such as social movements or hybrid organisations able to develop alternative institutional arrangements to overcome the liabilities of emerging economies’ institutions in an informal context?*

#### **Research question 3**

*How do different institutional logics emerge within a hybrid organisational form embedded in the informal economy?*

The research design for this study contains elements of Marshall and Rossman’s (1995) components, among them, organising the data, generating themes, categories and patterns from the data, and discounting potential alternative (theoretical) explanations. The following

sections of this chapter will discuss epistemological assumptions and theoretical perspectives, methodology used and methods. This will be followed by the research context of the investigation, to give final clarity to the nature of the research questions.

### 2.3 Research philosophy and epistemological view

Epistemology focuses on “providing a philosophical grounding for deciding what kinds of knowledge are possible and how we can ensure that they are both adequate and legitimate” (Maynard, 1994, p.10). The epistemology stance behind this study is constructionism, as we have seen, which rejects the idea of an objective truth to be discovered (Crotty, 1998). The author states that “there is not meaning without a mind [...] meaning is not discovered but constructed [...] in this view of things, subject and object emerge as partners in the generation of meaning” (Crotty, 1998, p.9). Constructionism thus moves away from the paradigm of objectivism traceable in the positivist theoretical perspective. Knowledge of the world, of the outside, is always a human and social construction. This epistemological stance clearly conflicts with that of objectivism, which believes that actors can come to discover the single, immutable truth about the world. Within the constructionist paradigm, meaning or truth does not have to be discovered but constructed, by social actors. Constructionism thus reflects well the idea of intentionality in the sense of directedness, and a sense of reaching out or moving towards (Crotty, 1998). Constructionism then indicates that subjects can construct meanings in relation to the same phenomenon. Social actors can produce multiple and even contradictory accounts of the world (Gray, 2014). According to this epistemology, then, there is no true or valid interpretation of reality; there can be multiple interpretations. In fact, Denzin and Lincoln (1994) in their work on “the arts and politics of interpretation” refer to the idea of the researcher-as-*bricoleur*. According to the authors, the researcher can creatively apply different methods to understand a given phenomenon and with a certain degree of self-reflexivity.

But, on the other hand, the difference from other epistemological stances such as poststructuralism is that constructionism implies that the truth is constructed, but not created solely by actors, and that is due to the assumption that the world is always there (Merleau-Ponty, 1962). Although the subjective element is significant, the real meaning in constructionism emerges through the interaction of social actors with reality, the object. This represents an important distinction from subjectivism: “constructionism takes the object very seriously” (Crotty, 1998, p.48). So, using the constructionist stance in this study we are not

left in a hopeless mire of relativistic subjectivities; rather, we have a recognisable set of particulars in a shared human milieu available to be discovered.

This is territory that needs to be carefully traversed. How do we find a practical balance between objectivist and subjectivist perspectives in a chosen constructivist model? Crotty (1998, p.54) states that “while humans may be described, in constructionist spirit, as engaging with their world and making sense of it, such a description is misleading if it is not set in a genuinely historical and social perspective”. Von Glasersfeld (1991, p.10) states that “radical constructivism does not suggest that we can construct anything we like, but it does claim that within the constraints that limit our construction there is room for an infinity of alternatives”. Another father of constructionism also suggests that an important difference between the positivist and realist paradigm and the constructivist one is the preferred mode of rationality: a substantive reasoning in the case of positivism and a deductive type of approach and a procedural reasoning for the constructivist paradigm, along with a more inductive and abductive approach (Eriksson, 1997; Le Moigne, 1989). Schwandt (1994, p.125) posits that “constructivists are deeply committed to the contrary view that what we take to be objective knowledge and truth is the result of perspective”. This approach to constructivism, then, is more individualist in its assumption and differs from the approach of Gergen (1985), which postulates constructivism as an epistemology where the making of the reality is a collective process rather than an individual one. This leads us to towards the chosen position in which the subjective meets a workably shared social experience, a form of social construction.

The term social constructionism comes from Berger and Luckmann’s ‘The Social Construction of Reality’ (1967) and early work of Mannheim (1936) belonging to the field of sociology of knowledge. Social constructionism then refers to the kind of emergence of meaning and not the type of object that has meaning (Crotty, 1998). Thus, the reality is created by the individual actor through observation and assigning meaning to experience (Von Glasersfeld, 1988). Guba and Lincoln (1998) argue that a constructivist approach to research is relativist and subjectivist. The same authors state that “the investigator and the object of investigation are interactively linked so that the findings are literally created as the investigation proceeds” (Lincoln and Guba, 1985, p.207). This differs from more classic grounded theory epistemological stances and ontological assumptions such as those of Glaser and Strauss (1967) who display a stronger orientation towards a more objectivist epistemology, where the researcher has to find the truth in his investigation (Crotty, 1998). Nevertheless, it is the Charmaz approach (2006) to grounded theory that brings constructionist epistemology to the centre, by “placing priority on the phenomena of study and seeing both

data and analysis as created from shared experiences and relationships with participants” (Charmaz, 2006, p.330). She suggests that a more ‘realist’ method would impoverish the authentic strength of the constructivist grounded theory because it would reduce the experience and fragment it. Again, Charmaz (2000, p.510) explains that “constructivist grounded theory celebrates first-hand knowledge of empirical worlds, takes a middle ground between postmodernism and positivism...constructivism assumes the relativism of multiple social realities, recognizes the mutual creation of knowledge by the viewer and the viewed, and aims toward interpretive understanding of subjects’ meanings”.

### **2.3.1 Theoretical perspective**

The issues surrounding research philosophy and the choice of a constructionist approach align with theories of subjective interpretation versus objective absolutes running through the modern social sciences and philosophy. Their evolution of a legitimate balance between those poles can be summed up in the term ‘interpretivism’, and an overview of this helps further solidify the theoretical basis of the model that this study applies to the inhabitants of La Salada.

According to Schwandt (1994, p.223) “the canvas of interpretivism is layered with ideas stemming from the German intellectual tradition of hermeneutics and the Verstehen tradition in sociology, the phenomenology of Shutz, and critiques of scientism and positivism in the social sciences influenced by the writings of ordinary language philosophers critical of logical empiricism” Since this study takes the view that organisational reality is socially constructed and that individuals actively participate in the emergence of their perceived reality, it follows that an interpretive approach is the most appropriate one, as this offers a representation of the informants’ views and experiences and understanding of reality - organisational members “create a material and symbolic record” (Smircich and Stubbart, 1985, p.726). This too is profoundly contrary to the paradigm of positivism, which makes assumptions about scientific inquiry based on observing an external truth as an objective and final one. Following Crotty (1998, p.67), an interpretivist approach “looks for culturally derived and historically situated interpretation of social life-world”. Interpretivism, then, allows distinctions to be made between natural sciences, which establish general laws, and human and cultural sciences, which are based on the individual phenomena (Crotty, 1998).

Interpretivism is epistemologically strongly linked to constructionism. How does their combination illuminate the object of research in the current study? The purpose is to capture and model informants’ meanings, their understanding of the organisational events in the milieu

of La Salada, and qualitative research is best suited to elucidate concerns and categories that are meaningful to them (Willmott and Bell, 2015). Qualitative research highlights qualities of entities, particularly by viewing the processes and meanings that arise (Denzin and Lincoln, 2000), and so this research favours an interpretive, naturalistic approach (Denzin and Lincoln, 1994; Lincoln and Guba, 1985).

According to Charmaz (2006), grounded theory is strongly anchored to the tradition of the interpretivist paradigm and interpretive research needs also to be reflexive. The reflexive tradition is in line with naturalistic inquiry (Ruby, 1980). According to Alvesson and Skoldberg (2009, p.273) reflexivity can be expressed through interaction with the empirical material (interviews, observations, etc.), by interpreting underlying meanings, through critical interpretation of power dynamics, and reflection on language use. This practice can contribute to making the researcher more conscious during the process of interpretation of hidden assumptions behind narratives and material collected.

This paradigm covers a fundamental concept, and that is “understanding something in its context” (Holloway, 1997, p.2). Contrary to the positivist approach, social actors’ phenomena cannot be related to the general laws of nature and social phenomena cannot be studied as scientific experiments, because individuals can respond in a variety of complex ways (Holloway, 1997). Within the interpretivist paradigm, the researcher does not focus on general criteria of validity, generalisability and reliability as they do not own the same meanings as the positivist paradigm. Lincoln and Guba (1985) discuss trustworthiness criteria such as credibility and transferability but for grounded theory a central aspect is the credibility of the research process which can be obtained through understanding taking-for-granted meaning and through an intimate understanding of the research setting, or by prolonged engagement (Lincoln and Guba, 1985; Charmaz, 2006): context is crucial. The process of knowledge accumulation is based on informed and sophisticated reconstructions (Lincoln and Guba, 2014).

Within the interpretivist paradigm, symbolic interactionism is intimately linked to constructed grounded theory (Charmaz, 2000). Thus, American pragmatist philosopher Dewey and social psychologist Mead sought a different notion of human action more linked to people’s “practices and realities” (Gray, 2011, p.24). The author would state that the essential traits of symbolic interactionism are that “people interpret the meaning of objects and actions in the world and then act upon those interpretations, meanings arise from the process of social interaction, meanings are handled in, and are modified by, an interactive process used by people in dealing with the phenomena that are encountered”. Citing Van Maanen (1998),

Gephart (2004, p.455) states that “qualitative research is often designed at the same time it is being done...it requires highly contextualized individual judgments.” Thus, qualitative research may be understood as inductive and interpretive (Van Maanen, 1998). This study focuses on providing narratives of people’s views of reality and sensitive and well-grounded interpretation of them.

## **2.4 Grounded theory methodology**

Bell and Wilmott (2015, p.22) suggest that “methodology lends credibility to methods when researchers, who are accredited by the award of research degrees and associated badges of scientific recognition, deem those methods to have been appropriately developed and applied”. My general methodology is grounded theory, as my aim is to generate or discover theory (Glaser and Strauss, 1967). The authors define it as “the discovery of theory from data systematically obtained from social research (Glaser and Strauss, 1967, p.2). The theory development is conceptual and not merely descriptive or definitional. As Mitchell (2014, p.7) states, “the primary goal of grounded theory research is to identify meaningful patterns that help understand what is happening within the empirical context and how the actors in that context solve problems or undertake new activities”. This approach seeks to understand how actors respond to changing conditions and to consequently study their actions and their responses. Grounded theory has its theoretical roots in pragmatic (Dewey, 1925; Mead, 1934) and symbolic interactionism (Park and Burgess, 1921; Thomas and Znaniecki, 1918; Hughes, 1971; Blumer, 1969). These philosophical grounds have provided grounded theory with core principles. One of the most important is the focus of grounded theory in capturing dynamics of change, as Corbin and Strauss (1990) explain: “since phenomena are not conceived of as static but as continually changing in response to evolving conditions, an important component of the method is to build change, through process, into the method”. This definition vividly captures the importance for social and organisational research that aims to capture micro-processes of change and the use of grounded theory for this type of research.

According to Goulding (2009, p.381, cited in Buchanan and Bryman, 2009) the central element of grounded theory is represented by its central feature, generating theory “that accounts for the relationship of the individual or collective experience to society, to history, the group or the organization”. Glaser and Strauss (1967, p.3) posit that “theory is a strategy for handling data in research, providing modes of conceptualization for describing and explaining...the theory should provide clear enough categories and hypotheses so that crucial ones can be verified in present and future research.” Thus, theory should enable the

explanation of action. And this new theory should meet other requirements: that is, it must fit the context being researched and work when put into action (Glaser and Strauss, 1967). This implies that categories should be applicable, able to “read” the data. According to the authors, theory development should allow for developing explanations of behaviour, but also to be usable in practical applications. Grounded theory contributes to providing systematic modes of conceptualisation for explanations. Glaser and Strauss (1967, p.3) also state that “theory must fit the situation being researched, and work when put into use”. This is an important dimension of grounded theory as it indicates that theoretical categories that are developed should be easily applicable to the field and not forced or distorted to make them fit that context. Being intimate with the data is one of the salient features of the theory development work in grounded theory. Glaser and Strauss (1967, p.4) in fact state that “theory based on data can usually not be completely refuted by more data or replaced by another theory”. Grounded theory was innovative because it moved away from the logico-deductive paradigm of theorising and gave merit to developing adequate theory by also explaining the process through which it is generated. Thus, it implies that generating theoretical and conceptual insights is related to working intimately with the data during the research process. Processes and models can only come to life if they are obtained through the data and not from other sources. Grounded theory provides a methodology to systematise theorising through verification. In this way it helps explain how social actors experience their world (Glaser, 1978). It is a systematic approach to inductively explain how people give meanings and experience in their social context (Glaser and Strauss, 1967; Charmaz, 2008).

Strauss and Corbin (1998) suggest that in grounded theory study the researcher does not start the project with a theory already in mind. Data collection, analysis and theory generation are closed processes that happen nearly together: “the researcher begins with an area of study and allows the theory to emerge from the data” (Strauss and Corbin, 1998, p.12). Within grounded theory, a variety of methods can be used for those making qualitative research, including interviews, observations, and more ethnographic approaches, as well as other sources such as archival documents, books, newspapers and other written sources. For all these methods, the coding procedures are the same according to grounded theory (Corbin and Strauss, 1990).

#### **2.4.1 Grounded theory pillars**

Glaser and Strauss (1968) then introduced the importance of using the logic of induction within this methodology; that is, the importance of theory generated from data and systematically

gathered and analysed (Strauss and Corbin, 1998). According to Glaser and Strauss (1967) the central characteristics of grounded theory can be summarised in the following way:

- data collection proceeds together with data analysis.
- codes and categories are built upon the data and not from previous ideas.
- the content of what is coded within a given category is always compared in order to refine its theoretical elaboration.
- the focus on theory generation both during data collection and data analysis.
- memo writing.
- theoretical sampling.
- literature review is conducted just after the process of analysis.

In the following section I will discuss in more depth the key features of these elements as they share similarities with guidelines in constructivist grounded theory.

Within grounded theory there also exist some of these tenets, for example the use of literature. In this sense Glaser and Strauss have differing views on reading prior literature: the Glaserian tradition favours the approach of generating new theory without considering prior research (Glaser, 1992), while Strauss and Corbin (1990) in contrast point out that it can be appropriate to start a research study with some expected codes (see also Mitchell, 2014). Another issue to be considered is related to the emergence of the research problem in grounded theory. In grounded theory, Glaser (1998) points out, the researcher does not start with an already specific problem, but rather, with a broader interest in the area. What is more important in grounded theory though is the set of procedures to be employed, such as coding, theoretical sampling and constant comparison (Glaser, 1992). Another distinguishing element of grounded theory is the idea that “all is data” (Glaser, 2001). This is a key concept in grounded theory methodology. It implies that the notion of data covers a wide range of elements, from the views of the informants, archival and historical, informal or personal experience. Wimpenny and Gass (2000) suggest that there is always a subjective involvement of the researcher, while Glaser (2001) posits that in grounded theory the researcher’s perspective on the data is aimed at the generation of new theory.

Nonetheless, as highlighted at the beginning of this chapter, this study’s main methodology is constructivist grounded theory, based on different philosophical and epistemological assumptions underlying the grounded theory approach. To refine the choice further, the next section will introduce the constructivist grounded theory approach and refer to the more

classical grounded theory described above, highlighting the relevant differences between them.

## 2.5 Constructivist grounded theory

During the late 1960s when grounded theory started to emerge it was a time when positivism was a central feature of how to conduct research in the field of social sciences, and it diminished the qualitative enquiry tradition, above all represented by the Chicago School of Sociology (Ong B.K., 2011). During that time the field of Sociology developed an increasing sort of “abstracted empiricism” (Mills, 1959, p.70). Nevertheless, according to Ong B.K. (2011), classic grounded theory has been criticised for having positivistic assumptions behind it, and increasingly many scholars doing qualitative research have applied grounded theory differently and developed alternative versions of it (Charmaz, 2000; 2006), developing what is called constructivist grounded theory. According to Charmaz (2000, p.510) “postmodernists and poststructuralists dispute obvious and subtle positivist premises assumed by grounded theory’s major proponents and within the logic of method itself...Barney Glaser, and the late Anselm Strauss, with his more recent co-author, Juliet Corbin, have moved the method in somewhat conflicting directions”. Charmaz (2000) points out the strong positivistic assumption behind their approach, above all when they stress the core idea of an objective, external reality, and the role of the researcher as a neutral observer who is discovering data. Strauss and Corbin (1998) assume a stronger orientation towards an objective external reality to be discovered during data gathering. Charmaz (2000, p.510) suggests that “their position moves into post-positivism because they also propose giving voice to their respondents, representing them as accurately as possible, discovering and acknowledging how respondents’ views of reality conflict with their own, and recognizing art as well as science in the analytic product and process”. Rather, constructivist grounded theory represents a useful middle ground between the poles of postmodernism and positivism. The substantive difference of constructivism lies in the relativism of multiple social realities, acknowledging multiple forms of knowledge creation and emphasising more the interpretive understanding of social actors’ meanings (Charmaz, 2000; Guba and Lincoln, 1994; Schwandt, 1994). The constructivist grounded theory version then works within an interpretive paradigm “which assumes that people created and maintain meaningful worlds through dialectical processes of conferring meaning on their realities and acting within them” (Charmaz, 2000, p.269). It is a more open approach, flexible, and re-focuses attention on studying people in their own settings such as la Salada, moving qualitative inquiry away from positivism or post-positivism. Another salient

feature of constructivist grounded theory is its focus on reflexivity. As Charmaz (2006, p.130) states, “it not only theorizes the interpretive work that research participants do, but also acknowledges that the resulting theory is an interpretation...thus constructivism fosters researchers’ reflexivity about their own interpretations as well as those in their research participants”. Consequently, Charmaz’s approach to grounded theory allows a form of relativism in recognising multiple social realities and also mutual forms of knowledge creation.

Constructivist grounded theory develops a specific set of guidelines and accepts many of the procedures of Glaser and Strauss’s grounded theory, with certain changes and differences based on the different paradigm discussed above.

### **2.5.1 Overview of grounded theory strategies and guidelines**

Charmaz (2000) proposes three main arguments to explain constructivist grounded theory: firstly, grounded theory should not be prescriptive; second, it should focus on meaning and strengthening the interpretive approach; and, thirdly, grounded theory design can be embraced without drawing on positivism and objectivism. Among the strategies that grounded theory comprises, there are:

- simultaneous data collection and analysis.
- two-phase data coding process.
- comparative methods.
- memo writing and theoretical sampling to refine emerging ideas.
- integration into a theoretical framework.

In constructivist grounded theory “data analysis begins early...emerging data are coded as they collected...codes are created by researchers defining what they see in the data...they emerge through grounded theorists interacting with their data again and again and asking many different questions while coding them (Charmaz, 2006, p.46). This approach encourages researcher flexibility in perceiving modifications and patterns in the data. One of the differences with Glaser and Strauss and Corbin is the approach to coding. For Charmaz (2006) coding is a two-step process, based on initial coding and focused coding. In a later section of this chapter I will examine further the data analysis process and constructivist grounded theory procedures.

In terms of methods that can be used in constructivist grounded theory, Charmaz (2000) posits a variety of techniques and methods while suggesting the use of in-depth interviews as the most appropriate with a constructivist approach. As Ong B.K. (2011, p.430) states, “while critiques of Glaser and Strauss’s and Corbin’s grounded theory method by postmodernists and poststructuralists have moved some researchers, such as Charmaz, toward constructivist grounded theory, many of the central features of grounded theory, such as coding, memos and theory generation from data, have had a huge influence on qualitative research”.

To reinforce the social constructionist approach applied to grounded theory, Charmaz (2008, p.397) explains that “a social constructionist approach to grounded theory allows us to address why questions while preserving the complexity of social life...grounded theory not only is a method for understanding research participants’ social constructions but also is a method that researchers construct throughout inquiry”.

## **2.6 Use of grounded theory in management and organisation theory research**

Extending the examination of how grounded theory has become practically useful and most suitable for the present study, an article by Suddaby (2006) on grounded theory published in the *Academy of Management Journal* helps to clarify what grounded theory is not, and how it has been applied in the field of management and organisation theory. Among many misconceptions, Suddaby (2006) identifies some of the most relevant: it is said to lack theory and that literature within grounded theory study is weak. Suddaby (2006) questions this assumption that researchers should ignore empirical knowledge and current literature. A second misconception is considering grounded theory to be the mere presentation of data. This type of issue tends to show subjective particularities of the informants’ experience which are not aligned with grounded theory procedures. Another misconception is considering grounded theory as a simple tool to test theory. Suddaby (2006, p.636) explains this clearly: “keep in mind that the purpose of grounded theory is not to make truth statements about reality, but, rather, to elicit fresh understanding about patterned relationships between social actors and how these relationships and interactions actively construct reality”. Another issue identified by Suddaby (2006) is the use of grounded theory as a simply formulaic technique. This implies that scholars would mechanically use grounded theory as a simple technique and set of rules to explain data analysis. But the problem with this approach is that it omits the interpretive characterisation of grounded theory, failing to recognise it as a deductive-method.

Table 2 below shows representative studies, some of them cited by Suddaby (2006), of seminal work using grounded theory in management research. These studies often present processes of change in contexts as different as large public universities or a research and development consortium. Following this, this investigation of La Salada aims to be a novel context for grounded theory studies. I also include more recent studies published in leading management and organisational journals that are representative of fundamental work in contemporary management discipline. Particularly relevant are the work of De Rond and Lok (2017) and Plowman et al. (2007) looking at unusual contexts for management and organisational research.

**Table 2**

Key representative grounded theory studies published in management and organisational studies journals

<b>Author (Year)</b>	<b>Research Context</b>	<b>Theoretical Findings</b>	<b>Journal</b>
Isabella, L.Y. (1990)	Interpretations that managers construct about organisational events.	Develop a model of how managers construe organisational events as change unfolds.	Academy of Management Journal.
Gioia, D.A., Thomas, J.B., Clark, S.M., Chittipeddi, K. (1994)	Role of sense-making in change processes at a university.	Sense-making and influence emerge as fundamental processes in the process of strategic change.	Organisation Science.
Browning, L.D., Beyer J.M., Shelter, J.C. (1995)	A research, development, and testing consortium in the semi-conductor industry.	Factors explain the consortium's early ambiguity – the development of a moral community within the consortium – structuring emerging practices and norms.	Academy of Management Journal.
Sutton, R.I. (1987)	Inductive study of organisational death.	Develop a model which explains the relationship between a dying organisation and its members.	Administrative Science Quarterly.
Margolis J.D., Molinsky A. (2008)	Studying subjective experience of individual experiencing "necessary evils".	Document how actors both engage and disengage during their activities and tasks and identification of multiple responses to handle such evils.	Academy of Management Journal.
De Rond, M., Lok, J. (2017)	Ethnography of military medical team's in Afghanistan.	Explore the role of institutional context as a key factor to explain psychological injury from war.	Academy of Management Journal.
Truelove, E., Kellogg, K. (2015)	Ethnographic study of early entrant into the US car-sharing industry.	Explore internal power struggle when radical new technology is implemented.	Administrative Science Quarterly.
Plowman, D.A. et al. (2007)	Emergence of radical change in the context of a church.	Document the emergent nature of radical change and the conditions that generated it.	Academy of Management Journal.

Source: Author's elaboration.

We can identify immediately some of the familiar terms of debate in these research areas too. Within the field of management and organisational studies, different paradigms have been used in grounded theory research. Within the modernist paradigm scholars explain that “the emphasis is on explanations of how the world works that ultimately could be harnessed towards its prediction and control...accordingly inquiry is directed towards the discovery of empirical facts and universal laws of cause and effect that are to be embedded in an explanatory or theoretical framework” (Locke, 2001, p.7). This approach aims at building theoretical frameworks that explain reality and that explain dynamics of how external reality works (Guba and Lincoln, 1994). The modernist paradigm assumes a realist ontology and it assumes that an external and objective reality exists. The interpretivist (and relative-constructivist) paradigm aims at understanding the world through the informed views of those actors who live in that world (Locke, 2001). Researchers viewing through an interpretivist lens believe that the research must engage in the social reality and seek to interpret it through this engagement (Schwandt, 1994). Finally, regarding the postmodern paradigm, with its emphasis on only subjective realities, Locke (2001, p.10) states that “Parker (1992) suggests that postmodernism was expressed in the architectural profession in proposals that architectural design eschew monolithic modern structures in favour of design that displayed characteristics that challenged such convention”. All of these traditions are present in the management literature using grounded theory and this study represents a contribution to the interpretivist approach of conducting grounded theory.

### **2.6.1 Integration of constructivist grounded theory practices with templates used in management**

Within my three studies, I use grounded theory methodology and its procedures. Nevertheless, I also contemplate the use of certain specific templates to present the analysis of qualitative data, which are considered well established in management and organisation theory research. Among them, I use the so called Gioia methodology (Gioia et al., 2013). This template is often used by management and organisational studies scholars to present their qualitative data and findings in a more rigorous way. I substantially use this template, with some differences, within my three studies, to facilitate the analysis and presentation of my data and findings. Most importantly, I use this template because of its strong connection in terms of

epistemological foundations, which are the same that guide my PhD investigation. By following the analysis of Langley and Abdallah (2011) it can be argued that the “Gioia method” has its epistemological foundations in interpretivism. Thus, the purpose is to capture and model the informants’ meanings, explaining the informants’ understanding of reality, and the final aim is to contribute to the development of a novel concept or a process model. Its central methodological inspiration is based on classic grounded theory studies (Glaser and Strauss, 1967; Strauss and Corbin, 1990). The logic of the method is based on “design for revelation, richness and trustworthiness” (Langley and Abdallah, 2011, p.205). The use of this approach is often associated with single cases that are selected for their strong revelatory power. Several qualitative methods are used and there is a preference for the use of interviews and observation. These coincidences between the epistemological and methodological assumptions of the Gioia method and grounded theory methodology allowed me to safely integrate this research template into my analysis.

## **2.7 Research study context**

My theoretical discussion and choices have been intended to find the best way of understanding the dynamics of a complex, elusive social organisation. This is the largest informal marketplace in Latin America, La Salada (Sassen, 2011). This marketplace is made up of an imprecise number of stalls, with estimates ranging from 7,822 (Dewey, 2014) up to 30,000 (*The Economist*, 2014), selling mostly textiles, food, and electronic products across four different and independent organisational units, called ferias (three of these are semi-legal, officially registered with the local authorities, and are called Urkupiña, Ocean, and Punta Mogotes; the fourth one is named La Ribera, which is on the banks of a small river, the Riachuelo, illegally occupying that public space). The senior management of each of the three legally registered markets is organised as many formal firms, with 45-85 employees and paying taxes. Estimates of La Salada’s annual revenues range from 500 million US dollars (USD) (*La Nacion*, 2012) up to 3 billion USD (*Financial Times*, 2015). The popularity of La Salada grew dramatically during the economic collapse of Argentina in late 2001 and early 2002. La Salada is well known for its copyright and piracy issues. Most stalls do not pay any taxes, and all the operations are managed in cash. Enforcement is ineffective due to a system of bribery, which includes the police and the local council, who demand payments in exchange for ignoring copyright issues (Ossona, 2010; USTR, 2014). The US government has included La Salada on its ‘Notorious Markets’ list, and the European Commission has called it “the biggest illegal market in the world” (USTR, 2014). As a complex and rather unique

organisational form, La Salada shares certain similarities with the object of study of the anthropologist Geertz, the bazaar; he himself states that “in the bazaar information is generally poor, scarce, maldistributed, inefficiently communicated, and intensely valued” (Geertz, 1979, p.124).

In the case of La Salada, being an extreme and unusual research setting for a management and organisational scholar, it may not always be easy to vividly pass on the complexities and ambiguities of such a hybrid organisational form in a formal academic study; as the American anthropologist would say, “although one can readily specify, and even directly observe, some of the social units that characterise life in the Sefrou region, it is far more to establish categories of analysis that are true to the essential qualities of these social units” (Rosen, 1979, p.19, in Geertz et al., 1979). This example from the early and famous work of Geertz on the bazaar of Sefrou in the late 1970s clarifies the complexities behind studying, analysing and elaborating solid conceptual categories about La Salada. Geertz himself (1979, p.123) vividly describes the bazaar setting, suggesting that “generations of observers, native and foreign, historical and ethnological, have seen in the bazaar’s fat grocers, and bent tailors, ingratiating rug sellers and elusive moneylenders, the image of life as it is lived in that part of the world”. During my fieldwork at La Salada, I also realised how much misconception can lie behind an organisation embedded in informality.

Local merchants would at times struggle to compete with La Salada, mostly because of the tremendous differences in cost structure. By selling on the street in precarious conditions and moving from one place to another within the Province of Buenos Aires, in 1991 its founders were finally able to buy the site of abandoned thermal baths and to establish their infrastructure. The market became a tremendous success. At the time of the foundation of La Salada, the Argentine peso has been pegged to the US dollar, making imported textiles cheaper than Argentine-made fabrics (*The Economist*, 2014). During the last ten years importation was no longer a problem because of currency controls and high taxes. Every time Argentina faces bad economic times, La Salada takes off, because more working poor and middle-class consumers use it.

La Salada is today a collective project of thousands of small-scale and informal producers, including both necessity-based entrepreneurs and opportunity-oriented entrepreneurs, all working alongside the formal economy; it is a place where thousands of informal factories export to all of Latin America. In the early 1990s the Bolivian community in Argentina, in order to cope with various dimensions of exclusion and vulnerability facing them there (e.g. fluctuation of economic activity, insufficiency of cash income, exclusion from formal labour

markets, economic inequality in the rent of value chain, lack of public policies to specifically target and develop disadvantaged communities), spontaneously began selling products (food and textiles) through family and community links. These domestic groups (family and community) mobilised their resources to develop (initially) petty market activities. What makes La Salada's case unique is the fact that it has been moving and evolving from this early project, based on the initial mobilisation of a Bolivian community leveraging its indigenous mechanisms into a complex platform of four informal and independent organisations (ferias) that together constitute this huge bazaar.

On the next page, Table 3 describes those four organisational units. The first to be officially established in the area was Urkupiña, created back in 1991 by a group of Bolivians with a few Argentines. It started with a strong community orientation and with an idea of establishing and stabilising the petty market activities that took place in different parts of the Conurbano (Area of Province of Buenos Aires). The second organisation of La Salada is Ocean, mostly organised and owned by Bolivians; it was created in 1994.

**Table 3**  
Organisational units of La Salada

<b>Company</b>	<b>Founding Year</b>	<b>Participants and Occupational Setting</b>	<b>Founding Model</b> (drawn from archives and fieldwork)	<b>Current Status</b>	<b>Summary of Data Sources</b>
Urkupiña	1991	Owners, managers, stall-owners and workers.	A place shaped by strong Bolivian community and traditions. The leading and inspirational model.	Still existing.	Interviews. Ethnographic observation. Archival documents.
Ocean	1994	Stall-owners and workers.	A co-operative with an important Bolivian community. Shares similarities with Urkupiña but less efficient.	Still existing but facing minor financial issues.	Interviews. Ethnographic observation. Archival documents.
Punta Mogotes	1996	Owners, managers, stall-owners, workers and security-workers.	Shares a similar organisational model as the other two but more competitive, aggressive and market-led. It was the one that more effectively dealt with bribery.	Still existing (very competitive).	Interviews. Ethnographic observation. Archival documents.
La Ribera	1999	Former managers and workers.	Occupying illegally public space. They do not own any legal authorisation or space. In number of stall-owners and workers this is the largest one.	Still existing but with precarious mechanisms. Subject to action of the state which periodically removes them.	Interviews. Archival documents. Ethnographic observation.

Source: Author's elaboration.

## 2.8 Analysis of the textile industry in Argentina

To apply the research methods to the cultural context within La Salada we should have an insight into the economic dynamics that shaped the market and relationships between different sectors, groups and individuals. Material processes within the production and retail chains inevitably significantly inform the practices and values of the market participants.

In Argentina, the textile industry generated nearly 3.17 billion USD in 2013, which constituted a significant contribution to the total GDP of the country (Oxford Economics, 2014). In terms of employment, the textile sector is characterised by informality and other forms of precarious employment, going as far as slave labour in sweatshops. According to the ILO (2012) only 37.4% of the total employment within the textile industry is categorised as a dependency relationship formally registered with the social security system. The remainder is either informal wage employment (36.5%) or independent employment (26.1%), much of which is fully informal. During the last decade, the growth of the textile industry has remained above the growth rate of the whole manufacturing sector, but this is not the case for formal job creation (ILO, 2012). A large proportion of the job losses in the sector was due to structural change in its industrial organisation. During the 1970s and particularly the early 1990s the sector shifted towards some model where older manufacturers outsourced their production and concentrated on the most profitable activities of their businesses. By doing so they left the entrepreneurial risk to the shops where garments are made, and these, in turn, passed those risks on to their workers (ILO, 2012). Within this framework, it is important to make a distinction between the textile and garment sectors. The latter is characterised by a much higher degree of precariousness and informality: formal wage employment only accounts for 22%, while the rest is 45.5% of non-registered work employment and 32.5% independent employment. Precisely this large percentage of independent workers within the garment industry is considered by the ILO (2012) as the weakest link in the value chain because, as shop owners and homeworkers, while enjoying a great degree of nominal autonomy, in practice they become part of an established precarious employment relationship condition.

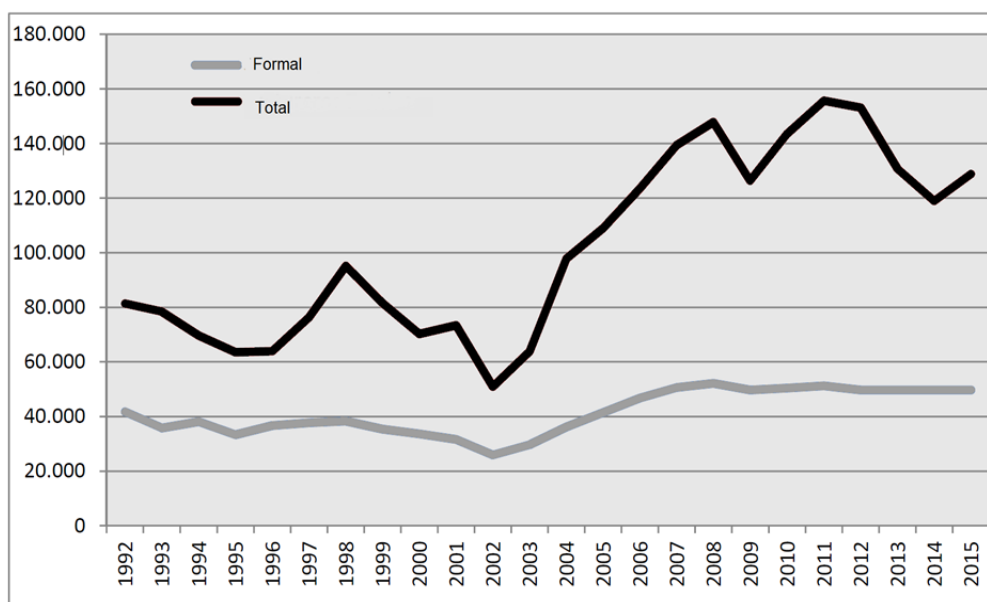
The overall business behaviour of firms in Argentina is characterised by short-termism, which is typical of a peripheral country (Kestelboim, 2012). The high concentration of the added-value activities within the value chain is the main cause of the appropriation of rent. This exacerbates the economic inequality between members of the value chain. Specifically, both the commercial sector and the financial system heavily influence price formation in Argentina's apparel industry. They apply different tools to absorb a high economic rent from the value chain. The causes of this include progressive destruction of the public institutions that should function as mechanisms to regulate the economy.

Analysis of the organisation of the value chain of the sector in Argentina turns out to be significant to understanding how rent is distributed amongst the different actors. Coatz and Kestelboim (2012) suggest that within the textile sector in Argentina only 20% of production involves a formal labour process, and these products tend to be extremely expensive (among

the highest prices in the world, measured in USD), while the other 80% of production is characterised by informality, including smuggled products and goods produced locally in Argentina by precarious labour (Fundacion Pro Tejer, 2014). The prices of the informally produced goods are easily accessible for most consumers in Argentina, above all the middle class and working poor, who prefer to buy through informal fairs rather than mainstream shopping malls where prices are much higher. The study is relevant because it highlights the inequality in capturing rents within the value chain of the formal textile sector. Calculations show that within the textile sector, the price of final goods is comprised of 34% in manufacturing, nearly 40% of financial and commercialisation costs and 26% taxes. Only 1% of the profit goes to the small manufacturing units that in fact make the products. What this shows is a very skewed distribution of rent within Argentina's formal textile value chain.

**Figure 5**

Number of formal and informal seamstresses



Source: Inti Textiles.

The commercial and financial links of the value chain capture the highest share of profit. The cost of production only represents 15% of the final cost of the end product (Coatz and Kestelboim, 2012). The same study also breaks down the different types of cost formal small firms have to face if they aim to sell their products in mainstream shopping malls. There is a variety of costs which include an initial royalty fee that can equal a value up to 20 or 25 times the monthly rent, a property commission fee of up to 6% on the value of the rent contract, and

extra expenses managed by the shopping mall itself. On top of these costs, high financial costs in Argentina in general should be added: commission fees for the use of credit and debit cards are, on average, higher than in the rest of Latin America. The sum of both real-estate (mainstream shopping mall) and financial costs (a small pool of local banks) means that textile products in Argentina must be extremely high-priced to be profitable. The authors suggest that this system further boosts inequality within the value chain because of the very unfair distribution of the rent it brings. Within this structure, textile brands tend to rely on small formal manufacturing units that further incentivise informal labour (Kestelboim, 2016). Due to this complex cost structure within the value chain, textile products produced in Argentina can hardly compete with products manufactured abroad. These high rents within the textile value chain make Argentina less competitive than other emerging economies competing within the same industry, such as Bangladesh, Vietnam or China.

On a global scale, while during the 1990s movements emerged to improve working conditions for the industry (Brooks, 2007), in emerging economies it is still very difficult to escape from the structural conditions of GVCs. In fact, according to Lavopa and Szirmai (2015) the share of participation of developing countries in low-tech global value chains has increased in the last 40 years and today more than 50% of the manufactured low-tech products are produced in emerging economies. Because these value chain inequalities lead to extremely high prices for consumers of basic goods, many Argentinian consumers opt to buy in informal markets such as La Salada. One of the main advantages of buying many of the most common textile goods in informal markets is avoiding the higher cost of the financial and commercial (real estate) intermediation that inevitably leads to high consumer prices. Within the informal economy, markets such as La Salada can provide more competitive prices with shorter value chains. These informal fairs represent a cheaper alternative, not only for consumers, who are able to afford to buy clothes, shoes and basic electronics, but also for informal workers and informal micro-businesses who can pay lower rents for their activities.

The textile and garment industry represent a good case to highlight the workings of this mechanism in terms of its tendency to generate economic inequality. The sector is quite heterogeneous and often characterised by short product life-cycles, high volatility, low predictability and a high level of speculative purchase (Bruce and Daly, 2004). However, it also represents the primary industrial building block for emerging economies (Brenton and Hoppe, 2007). It is also heterogeneous in terms of the types of workers it employs. These include workers directly hired by large factories, those hired by small unit firms, others working as sub-contractors from their homes, and self-employed garment makers who produce

for local markets. In fact, according to various studies, the latter – subcontracted homeworkers who carry out paid work for other firms or their intermediaries, typically on a piece-rate basis – constitute a growing proportion of the workers in the industry (Carr, Chen and Tate, 2000). According to Lieutier (2010), for every textile item sold for 100 USD, the worker receives only approximately 1.8 USD. This phenomenon is more relevant in emerging economies, and statistics suggest that more than 60% of garment production is carried out at home in Asia and Latin America (Chen, Sebstad and O’Connell, 1999).

As described by the ILO (2016) the Textile, Clothing, Leather and Footwear (TCLF) sector is characterised by geographically dispersed production and rapid market-driven change. About 60-75 million people were employed in the TCLF sector worldwide in 2014 (ILO, 2015). According to the World Garment Market (2012) the value of the global garment industry is 1.7 trillion USD; China, Bangladesh, India, Turkey and Vietnam are among the global production leaders. The sector is a good example of a buyer-driven chain, with big retailers, marketers and traders driving the market by determining where to produce, what to produce and at what price (WTO, 2008). Production, as the most labour-intensive part of the value chain, is often based in emerging economies, while the knowledge-intensive activities remain in advanced economies. The chains include such activities as design, branding, production of raw materials, cutting of fabric, assembly of clothes, and finishing work (labelling, etc.). Within the retailing industry there are intermediaries between factory and brand. Normally, many garment workers in emerging economies work in the so-called informal economy. Precarious workers within the industry are characterised by a mix of flexible contracts, use of unemployment during periods of fluctuations in production, and an overall pressure to lower wages and prevent wage growth.

According to Chan (2013) the evidence suggests that the use of contract rather than employed labour is widespread in many countries around the world, and it occurs in both first-tier as well as lower-tier factories. The global brands within the garment industry are characterised by aggressive purchasing practices which favour the reliance on contract labour. Suppliers, then, rely on contract labour because of poor regulation of labour contractors, and the opportunity to reduce costs (Chen, 2013). Nevertheless, it also needs to be pointed out that the garment industry is a large employment generator in manufacturing, though garment workers are often employed informally, which makes them practically invisible in many statistics (Chen, Sebstad, and O’Connell, 1999). These trends within GVCs highlight the darker side of these production networks. The distributional pattern that has emerged and consolidated during the last two decades within GVCs calls for more in-depth studies of the organisational dynamics

of responses to the trend of passing risks on to the weakest actors in the sector. This form of work casualisation and informal employment has become a frequent practice in the industry, particularly in the context of emerging markets.

According to Marx (1990), today the global economy is characterised by different large forms of illegal or irregular employment, quite often within the informal economy. The ILO (2011) confirms this trend by showing that between 1980 and 2007 the global labour force grew from 1.9 billion to 3.1 billion workers, with the large majority employed in emerging economies, under precarious conditions (Selwyn, 2015). It further estimates the total number of working poor and workers in vulnerable employment to be 1.53 billion as of 2009, which was more than half of all workers in the world. Clearly, this vast expanse of people is heterogeneous and there are many regional differences between them, but there is strong agreement that the garment industry is one of the most labour-intensive industries, absorbing vast numbers of low-skilled workers. Worldwide there are around 40 million garment workers, and the total revenue of the global garment's industry was estimated at around 1,782 billion USD in 2010 (Bhattacharye and Roy, 2015).

Thus, cheap consumer prices for consumers in developed markets are sustained and guaranteed, at the production end of the chain, by commodity production rather than skill-based labour (Bhattacharjee and Roy, 2015). Inequality in the garment value chain of the sort that has grown in La Salada over recent decades is explained by a price mechanism that guarantees tremendous surpluses and exclusive access to markets in advanced economies and by low-cost production in emerging economies. According to Gereffi and Memedovic (2003, p.3), "unlike producer-driven chains, where profits come from scale, volume and technological advances, in buyer-driven chains profits come from combinations of high-value research, design, sales, marketing and financial services that allow the retailers, designers and marketers to act as strategic brokers in linking overseas factories and traders with product niches in their main consumer markets".

According to recent studies, in the garment industry power has shifted from producers to traders and retailers, adding to the downward pressure on manufacturers in markets such as La Salada. This is most evident in the industry's GVCs, where global buyers establish most of the terms and rules (what to produce, and its price) (McCormick and Schmitz, 2008). This shift was initiated during the 1980s, when a shift from import substitution to export-oriented industrialisation took place in many post-colonial countries. This process favoured the scaling-up of export-oriented production and allowed for the formation and consolidation of GVCs and global production networks (Bhattacharjee and Roy, 2015). The authors suggest that this

GVC model allowed the creation of mechanisms to capture what they call poverty-level wages. They also argue that the emergence of this buyer-driven commodity-type chain would require a new regulatory framework from nation-states, which the ILO considers inadequate.

## **2.9 Data collection methods**

### **2.9.1 Gathering rich data for grounded theory**

Charmaz (2006, p.33) stresses the importance of gathering rich data from grounded theory methodology. She points out that “the depth and scope of the data make a difference...a study based upon rich, substantial, and relevant data stands out”, thus drawing attention to the importance of providing both complex and quality data in order to develop better categories for theory generation. Charmaz (2006) does not discriminate any method in particular and given any choice made by the researcher what matters is to collect sufficient amounts of data to fit the duty and provide a holistic view of the phenomenon under study. Those who will read the study will judge its quality based on the depth and quality of the data, which will speak for itself; for instance, “an ethnographer who engages in detailed sustained observation and concludes the study with ten intensive interviews of key informants has far more to draw on than someone who has simply conducted ten rich interviews” (Charmaz, 2006, p.33). While for some scholars (Glaser, 1998; Stern, 1994) it may be considered appropriate to carry out studies with relatively small samples and limited data as grounded theory aims at developing conceptual categories, other scholars support analysing and reflecting about how much data have been collected by the researcher about people, processes and contexts, the amount of detailed descriptions, the depth of the data, if the data are capable of revealing changes, and the presence of multiple views from the participants (Charmaz, 2006). In this study I adhere to these approaches suggested by Charmaz (2006) in line with qualitative and interpretive paradigm, by seeking to capture the participants’ worlds. In this sense, Blumer (1969) recommends researchers to always protect the participants of the study and avoid questioning or judging them or their beliefs or practices. A concrete and consistent way to respect the research participants is to fully apply an interpretive key to understand their meanings, their views, and to genuinely make an effort to understand life from their perspectives (Charmaz, 2006; 2008). Classic grounded theory (Glaser and Strauss, 1967; Strauss, 1978) focuses on actions and processes. Furthermore, the simultaneous process of data collection and analysis makes the mechanism of data emergence consistent. According to Glaser (1978) the initial questions to ask are: what’s happening here? What are the basic social processes? These

questions get the researcher started. In this section of the chapters I will detail the sources of data for this investigation and explain each of them in detail: participant observation, interviews, documents. In addressing its research questions this study aims for pattern and process analysis and to explain the latent forms of social and organisational behaviour found in La Salada. It follows a set of specific research procedures leading to the emergence of conceptual categories. Gephart (2004, p.455) suggests that qualitative research “involves both data collection and data analysis”. The principal data set includes a four-month organisational ethnography of La Salada. Ethnographic techniques are valuable to capture the interplay of activities and meanings (Van Maanen, 1979), “particularly in the face of competing definitions of reality” (Gephart, 2004, p.457). It allowed detailed insights to be gained into how different organisations within La Salada have organised themselves and what strategies they have used to mitigate the impact of social exclusion. I also conducted 75 in-depth interviews and collected archival data. Data gathering was carried out by a mixture of semi-structured interviews, non-participant observation, and the use of archival documents.

**Table 4**  
Sources of information and type and amount of data obtained in each category

<b>Category</b>	<b>Amount</b>	<b>How data were used in the study</b>
Articles from media and archival sources (books).	434 documents (approximately 490 pages).	Characterisation of the perceptions of civil society about La Salada. Analysis of La Salada’s historical emergence, coded according to grounded theory practices and guidelines.
Interviews.	75 (approximately 1750 pages).	Used in the grounded theory coding. I have interviewed different types of people working at La Salada, and also relevant stakeholders, to understand La Salada in detail.
Participant observation.	Approximately 550 hours of direct observation.	Gathered field-notes of intense fieldwork three times per week.

Source: Author’s elaboration.

### 2.9.2 Participant observation

According to Rosen (1991, p.1, quoting Spooner, 1983, p.3) “interpretation is the consummate goal of ethnography because meaning is understood in the social constructionist realm to derive from interpretation, where knowledge is significant only insofar as it is meaningful”. Lofland (1971, p.93) states that “the strategy of directly being with and around the participants of a setting over a period of time is the most directly involving and therefore the most intimate and morally hazardous method of social research...it is precisely because it is the most penetrating of strategies, the closest and telling mode of gathering information.”

The early studies of organisations from an anthropological and ethnographic perspective are based on consolidated insights derived from studies on kinship-type organisations (Garsten and Nyqvist, 2013). Meillasoux (1975) for example studied the role of kinship and its linkage with political systems. With kinship as the starting point, ethnographers of organisations have studied different forms of extreme or unique organisations; for example, family ties in Italian mafia or camorra organisations, by Garsten and Nyqvist (2013). Another insightful merit of organisational anthropology is that it “allows for a process view on organisation, emphasizing the social processes that ties actors, objects, and ideas into assemblages, and renders some into more durable social figurations (Garsten and Nyqvist, 2013, p.10). According to Bate (1997), the tenets for good ethnographic research include, among other things: producing details and conclusions that are unexpected and reflect the polyphony (multiple voices) of the real world; offering a model or theory; contextualising findings; paying attention to questions of power and inequality by examining the ways in which some participants’ voices and models prevail over those of others; going beyond simply seeking confirmation of what is already known; presenting material in sufficient richness; emphasising what people say and do; and looking for connections and disconnections. Ybema et al. (2009, p.2) explain that “the ethnographic researcher explores the details of everyday life which otherwise go unnoticed, trying to read the tacitly known scripts and schemas that organize ordinary activities”. Among the advantages of participant observation there is the first-hand knowledge the researcher can gain about a given organisational phenomenon as it happens, and in a real-world context, without any interference (Lee, 1999). One tacit merit of ethnographic observation as method is defined by Sridhar (2008, p.151): “the researcher’s role is an engaged one since anthropology remains a way of seeing that seeks to look beyond the surface level of events and relationships in order to reveal more of the hidden dimensions of social life”. Further, Lee (1999, p.98, referring to Waddington, 1994) suggests that “most often, participation and observation studies are assumed best suited to the study of phenomena that involve interpersonal interactions and

interpretations, are controversial, are hidden from public view and are not well understood". Given that scholars have suggested lately that participant observation techniques are quite under-utilised in management research, with few exceptions (Van Maanen, 1975), in this study, participant observation techniques are strongly utilised.

After obtaining consensual access to La Salada, I travelled there three times a week, twice during the opening time of 2am until 8am on Tuesdays and Thursdays, and Sunday mornings from 6am until 1pm. On Tuesdays and Thursdays, La Salada operates as a wholesale market, with small and medium formal and informal entrepreneurs coming from all the countries of the Southern Cone (i.e. Brazil, Paraguay, Uruguay, Bolivia, Chile, and Argentina itself). On Sundays, La Salada serves retail shoppers, most of whom come from the Province of Buenos Aires, as well as other provinces within the country. Following standard ethnographic practice (Hammersley and Atkinson, 1989), I observed the weekly practices of the stall owners (being there from midnight until 8am), attended meetings with CEOs and other managers (e.g. meetings with the CEO of Punta Mogotes every Tuesday morning from 9am until 4pm, at which the researcher was allowed to not only observe but also to participate in and interact with everyone around him), and join in social activities after office hours.

Data were gathered in more than 550 hours of participant observation, both of the micro-enterprises selling their products and of the work of the CEO and chairman, the latter sometimes for entire days, including sitting in on meetings with clients, politicians, and employees. This gave the researcher conducting the field work the opportunity to observe these top executives making very tough decisions, such as firing someone in response to criminal activity within La Salada or negotiating with bankers or authorities from the national government. Such access gave me the opportunity to directly observe the relationships between the informal entrepreneurs and a variety of formal institutions.

Detailed observation of activities, events, and conversations were recorded in a field diary, with approximately 200 pages of entries. In accordance with the practice followed by Spradley (1979, p.58), "casual, friendly conversations" with staff and office visitors were also conducted and recorded to obtain their immediate reflections on activities and events. The ethnographic tradition of following people around to figure out exactly "what the devil do they think they are up to" (Geertz, 1983, pp.57-8) is more challenging given the increasingly globalised character of modern organisations.

According to standard ethnographic guidelines (Hammersley and Atkinson, 1989), I observed the weekly practices of stall owners, attended meetings with CEOs and other managers and took part in social activities after office hours.

### **2.9.3 Interviews**

“Interview” refers rather loftily “to the act of perceiving as conducted between two separate points; in the present case, between two separate people” (Lofland, 1971, p.75). Punch (1998, p.174) argues that “interviews are one of the main tools available to interpret and access peoples’ perceptions, meanings, definitions of situations, and constructions of reality”. Interviews are important because they give individuals a platform to directly express thoughts and feelings; they contribute to gathering descriptions of the situations that are being explored and to elicit rich material that can be fruitful for qualitative analysis (Lofland, 1971). Edwards and Holland (2013, p.3) suggest that regardless of variations in style and tradition, all qualitative and semi-structured interviews share certain features such as “interactional exchange of dialogue, a thematic, topic-centered, biographical or narrative approach where the researcher has topics, themes or issues they wish to cover, and a perspective regarding knowledge as situated and contextual where meanings and understandings are created in an interaction (from Mason, 2002, p.62)”. However, caveats apply. Jones (1985, p.46) proposes that “in order to understand other persons’ constructions of reality, we would do well to ask them in such a way that they can tell us in their terms and in a depth which addresses the rich context that is the substance of their meanings”. Furthermore, according to Kvale (1996) conversational interviews should be avoided if among the researcher’s goal is to develop a study of behaviour or to develop a profound understanding of specific organisational phenomena (Lee, 1999).

Spradley (1979) posits that two major issues are related to interviewing: the first is developing a relationship with the subjects the researcher is interviewing and the second is obtaining meaningful information for the study. The author suggests that exploration, that is, the initial establishment of the rapport with the informant to make each other more comfortable, co-operation, a form of mutual trust between the researcher and the informant are important. Finally, the participation is the final phase, where once trust is built, the informant will respond to the researcher more as a guide than as a mere informant. Charmaz (2006, p.40) discusses the importance of intensive interviews for gathering rich data: “go beneath the surface of the described experience, stop to explore a statement or topic, request more detail or explanation, ask about the participant’s thoughts, feelings, and actions, keep the participant on the subject, come back to an earlier point, restate the participant’s point to check for accuracy, shift the immediate topic, validate the participant’s humanity, perspective, or action, use observational and social skills to further the discuss”. I have followed Charmaz’s guidelines on how to conduct my interviews during the fieldwork; now I will describe them in more detail.

Interviews were conducted with 59 informants working inside La Salada, including people in top management positions such as CEOs, chairmen, and specific managers within its hierarchy (i.e. people allocated to specific functions of the business in each of the four ferias, for example accounting, payroll, legal, security), micro-entrepreneurs selling their products at the market, and staff dedicated to basic functions such as policing and security. I also interviewed 16 stakeholders, including Argentinian MPs; officials from the Ministry of Labour and other ministries that have a particular interest in employment in the informal sector; senior members of the leading textile industry association in Argentina directly involved in the sector where La Salada operates; staff of an NGO fighting against the informal economy in Argentina (*Fundacion la Alameda*); journalists who had conducted in-depth investigations of La Salada; and political consultants and lawyers working for La Salada. The aim of this approach was to capture the fine granularity of the context we are exploring as well as for purposes of triangulation.

All interviews of the people working in La Salada were conducted on-site. All other interviews were conducted in the city of Buenos Aires or the Province of Buenos Aires. The micro-entrepreneurs were either stall-owners or stall-renters. Their ages varied between 18 and 60 years. Approximately 60% of these people were men; 40% were women. Each stall had on average 3-6 direct employees. Approximately 70% of the stall owners or operators also had small-scale manufacturing operations, which in general employed 4-16 people. The stalls operate in retail sectors such as textiles, shoes, basic electronics, food, and a variety of consumer products.

Data were collected between December 2014 and September 2015, through face-to-face in-depth interviews using semi-structured questions. The interviews lasted, on average, 60 minutes, ranging from 35 to 180 minutes. Interviewees from La Salada were asked a broad range of relevant questions. This included about their roles and functions and to describe the early stages of the organisation's existence (its emergence); about the formal and informal activities pursued within La Salada; the motivation behind the creation of La Salada; how micro-entrepreneurs co-ordinate their activities; the social norms that govern the market; how they seek to gain legitimacy in the eyes of Argentinian society; the ways in which La Salada overcomes the failures of the state; and whether their current economic and social situation has improved since they started to work in La Salada. Approximately 67 hours of interview data were gathered. The interviews (all of them conducted in Spanish, and many in *lunfardo*, the Buenos Aires dialect) were subsequently transcribed by Argentinians. The transcriptions

were then reviewed by the author who had conducted the interviews, and the data were coded and analysed.

**Table 5**  
List of informants

	<b>Informant</b>	<b>Informant Role</b>
<b>Inside La Salada</b>	CEO of La Salada.	Managerial / founder.
	Chairman of Punta Mogotes.	Managerial.
	CEO of Urkupiña.	Managerial.
	Former leader of La Ribera.	Ex-managerial
	Security staff.	Employee.
	Accounting staff.	Employee.
	Payroll and legal staff.	Employee.
	Stall owners, stall renters and sellers.	Entrepreneurs / employees / workers.
<b>Stakeholders outside La Salada</b>	Argentinian MPs.	Policy-maker.
	Officials from Ministry of Labour.	Policy-maker.
	Other ministries with a stake in informal employment.	Policy-maker.
	Local MPs.	Policy-maker.
	Senior members of the leading textile industry association.	Political.
	Staff from NGO "Fundacion La Alameda".	Political.
	Journalists who investigated La Salada.	Communication / media.
	Political consultants and lawyers working for La Salada.	Consultant.
	Former Directors of ARBA (Buenos Aires province tax collection agency).	Policy enforcement.
	Largest micro-finance institution in Argentina (50% of their clients are in La Salada).	Managerial within the financial sector.
	Key members of the Bolivian community in Argentina.	Political.
	Argentinian leading academics working on informality and La Salada.	Academia.
	Local chamber of commerce of Lomas de Zamora.	Local politics / trade commerce.
Main chamber of commerce for medium-size companies.	Trade commerce.	
One large local textile firm (Owner).	Managerial.	

Source: Author's elaboration.

### 2.9.4 Documents

I collected archival data to trace event chronologies and discourses over time (Langley et al., 2013). I had privileged access, including the possibility of viewing internal documents, legal authorisations granted by the local council, and others of relevance. The proprietary documents were used to validate observations and interview impressions, but they are not formally included in the study text. I also had access to public policy papers provided by the Ministry of Labour in Argentina, as well as research books published on La Salada and reports elaborated by international bodies on informality (the International Labour Office and Women in Informal Employment: Globalising and Organising).

Following several scholars (Ventresca and Mohr, 2001; Giddens, 1987), we can view documents and texts as devices that contribute to the understanding of administrative power and other written systems of rules within a given organisational setting. Ventresca and Mohr (2001, p.3) state that “organizational texts represents forms of social discourse - literally, ways of communicating, producing, and enacting organizational life”.

I collected archival data to trace event chronologies and discourses over time (Langley et al., 2013). The ethnographer’s privileged access included views of internal documents, legal authorisations granted by the local council, and La Salada internal e-mail correspondence. While not included in the final analysis, these proprietary documents were used to validate observations and interview impressions. I also included published books written by journalists about La Salada, which have different angles of analysis and which helped to construct a chronological order over time and also to provide richer stories. I also collected a large amount of secondary data. This includes, among other sources, two published research books about La Salada, policy-documents related to informality, published working papers about La Salada, articles from the main Argentinian newspapers, namely *Clarín*, *La Nación* and *Página 12* and finally articles from international newspapers and magazines such as *The Economist*, *FT*, *Forbes*.

### 2.10 Procedures for data analysis

Once collected, data have to be analysed appropriately. Constructivist grounded theory methodology (Charmaz, 2000; 2006) follows certain guidelines. From an early form of research problem and opening research questions, there are data collection and initial coding; later, initial memos, raising codes to develop tentative categories; then again, more data

gathering, and focused coding; advanced memos and theoretical sampling. I will discuss in more detail the key guidelines of the theory.

### **2.10.1 Grounded theory coding**

I aim to describe meanings, to produce descriptions of respondents' meanings and definitions of situations (Guba and Lincoln, 1994; Lincoln and Guba, 2000). The goal of interpretive research is then to understand the meanings and concepts used by the informants in the research setting (Gephert, 2004). There are many purposes for qualitative coding, and the most relevant ones for researchers include the following: reflecting on what coded segments tell about the category and its meanings for the research project; asking questions about how the category relates to other ideas from the data; constructing theories about those relations; searching for blends or combinations of categories; and finding patterns in the attitudes of this subject. Grounded theory coding differs from other forms of qualitative coding. Charmaz (2006, p.58) explains that "coding means categorizing segments of data with a short name that simultaneously summarizes and accounts for each piece of data...your codes show how you select, separate, and sort data to begin an analytic accounting of them".

Charmaz (2006) suggests code should be done for social and social psychological processes and not for topics. Furthermore, she suggests emphasising actions within actions embedded in the codes. Another substantive element of constructivist grounded theory coding is the uses of gerund verb forms and the iterative nature of the process of coding. Here, the researcher should aim for specificity, and allow imaginative interpretations. Next, I will introduce the different types of coding used in constructivist grounded theory.

#### *Initial coding*

At this stage of coding, the researcher should remain open to data and its first explorations. This represents the initial step of approaching the data and the later development of conceptual categories. While comparing data with data is important at this stage, Glaser and Strauss (1968) provide initial types of questions that should be asked when doing initial coding, focusing on what the data are displaying, the points of view of the participants and possible theoretical categories that may fit (Glaser, 1978). Charmaz (2000; 2006) recommends during this stage of coding maintaining a close link with the data, in what can be defined as a line-by-line coding process. She also calls for the researcher to seek actions-generated processes, rather than topics; she even states "to the degree possible, code data as actions" (Charmaz, 2006, p.63). Furthermore, a distinctive aspect of this initial coding is the line-by-line coding;

Glaser (1978) suggests naming each line of the text the research is working with and thus coding every line with a full sentence. Another important principle when doing initial coding is avoiding any coding generation based on previous concepts or invocation of previously seen ideas. At this stage, openness and creativity to let new concepts emerge should drive the whole process, which is in line with the classic grounded theory principle of not having a pre-conceived view (Glaser, 1978). The initial codes that are generated are not final versions of the conceptual categories, they are purely grounded in the data available. Charmaz (2006, p.63) explains that “they are provisional because you aim to remain open to other analytic possibilities and create codes that best fit the data you have”. In this sense, initial codes can also point out to the researcher areas or data that are lacking or needed. Furthermore, they can also be changed and reworded. The core of this process is the extent to which the researcher can capture the core of the meanings and the actions. Among the different practices that are suggested to use in this phase of coding, scholars suggest spontaneity and working quickly. Comparing data with data is also a distinctive element of this phase of coding; initially the comparison is about finding differences and similarities; as Charmaz (2006, p.69) would argue, “our task is to make analytic sense of the material, which may challenge taken-for-granted understandings”. Another distinctive element of initial coding is the use of gerunds to trace processes (Charmaz, 2006; Glaser, 1978). Among the most relevant practices to follow in initial coding, authors suggest the capacity to remain open to the data, building simple and specific codes, focusing always on actions, moving quickly in the analysis of the data (Charmaz, 2006). In fact, according to Ong B.K. (2011, p.425, citing Charmaz, 2000, p.258) “Charmaz preferred this type of open coding which she argued: minimizes researchers’ imposition of their preconceived ideas and belief into the data, helps researchers pay attention to their subjects’ view of their realities, sharpens researchers’ use of sensitizing concepts and leads researchers to define and specify their borrowed extant concepts carefully”. Finally, Charmaz (2006) also suggests posing certain specific questions during the initial coding, such as: understanding the type of process at play; how the process develops; how the research participant influence or act within a given process; if the process changes and how; and the consequences of a particular process. Through the use of such strategies and practices, initial coding will lead to the development of more refined theoretical categories.

### *Focused coding*

Focused coding is considered the second step of the coding process in grounded theory. Here, codes are more specific, selective and, also, have a higher degree of conceptual development than the initial coding line-by-line. Charmaz (2006, p.72) explains that “focused coding means

using the most significant and/or frequent earlier codes to sift through large amounts of data...focused coding requires decisions about which initial codes make the most analytic sense to categorize your data incisively and completely". Moving to the second phase of coding is not an automatic or incremental process; nevertheless, at some point through analysing the data, there will be a "momentum" where conceptual clarity will increase and the possibility to crystallise effectively previous statements will become more effective. The aim of focused coding is to let emerge initial core categories and it also allows the researcher to control preconceived ideas about the phenomenon under analysis. The constant comparison with data, helps to developed focused codes. Codes are consequently compared with data, with situations where participants are embedded. Thus, at this stage of coding, the role of the researcher becomes more involved, and taking a more active stance towards the interpretation of the data.

### *Theoretical coding*

Glaser (1978, p.72) defined theoretical coding by explaining "how the substantive codes may relate to each other as hypotheses to be integrated into a theory". At this stage of the coding analysis, the researcher is seeking to establish potential relationships between categories that have been developed in the focused coding phase. Thus, there is a process of integration of the previous codes that contribute to build analytically a story based on strong conceptualisations. This stage allows "the saturation of the core categories identified during focused coding...the use of memos and constant comparison between focused codes were instrumental for theoretical coding" (Getaneh and Alemu, 2015, p.534). Glaser (1978) also suggested the idea of coding families included in analytic categories: he includes "situations, social worlds and social contexts, which certainly may serve as units of analysis but connote emergent, rather than structural properties" (Charmaz, 2006, p.78).

This phase is characterised by the emergence of specific and analytic conceptual categories. This stage is very important because if the researcher develops well-developed theoretical codes, this will add precision to the theorisation work and will make this analysis stage much more substantive (Charmaz, 2006). Most notably, through this stage of analysis, the investigator can for example identify the conditions that lead to a process of change or discovering subjects' strategies. As Charmaz (2006, p.79) states, "theoretical codes must earn their way into your grounded theory". In any case, what is crucial in the process of transforming data into codes is to rely on managing consistent and good quality data.

### *Memo writing*

Memo writing represents a very important process within grounded theory procedures. Charmaz (2006, p.87) defines memo writing as “the pivotal intermediate step between data collection and writing drafts of papers...Memo writing constitutes a crucial method in grounded theory because it prompts you to analyze your data and codes early in the research process”. Charmaz (2006) emphasises the importance for the researcher of using memo writing as it facilitates thinking and analysis of ideas about the codes generated. Memo writing provides the researcher with an intimate corner where he can think and reflect in a more calm way, and solidify the direction of theoretical development. The practice of writing down reflections makes this exercise more concrete and feasible for the researcher. By writing down the notes and reflection about codes, the investigator increases his explicatory power which ultimately is a strong element of grounded theory research. Charmaz (2006, p.88) details the following: “through writing memos, you construct analytic codes...memos give you a space and place for making comparisons between data and data, data and codes, codes and data and other codes, codes and category, category and concept and for articulating conjectures about these comparisons”. Consequently, memos are an excellent tool in grounded theory to expand thinking and consolidate ideas about patterns of data, codes, categories and concepts. In terms of ways to produce memo writing, scholars suggest to write them in a spontaneous way rather being structured. Memo writings in grounded theory serve an analytical purpose, and they are in general written informally and with colloquial language (Charmaz, 2006). As a general guideline, during memo writing scholars should focus on defining each code or category, explaining the processes in detail, showing strong empirical evidence, interrogating the code or category.

### *Theoretical sampling*

This represents an important stage for the conceptual development in grounded theory. Charmaz (2006, p.111) explains that “theoretical sampling means seeking pertinent data to develop your emerging theory...the main purpose of theoretical sampling is to elaborate and refine the categories constituting your theory...you conduct theoretical sampling by sampling to develop the properties of your category or categories until no new properties emerge”. This stage helps the researcher to consolidate the different categories developed until now. One of the main strategies at this stage is represented by collecting more data which focus on a given category and its properties. That is called theoretical sampling. The meaning of this step then is to gather relevant data and improve once more the categories of the emerging theoretical development (Charmaz, 2006). Glaser and Strauss (1967; Glaser, 1978) suggested focusing

on theoretical sampling, saturation and sorting. There are also other forms of sampling, and Charmaz (2006, p.115) suggests not to make any confusion with types of samplings that for example “address initial research questions, reflect population distribution, to find negative cases, or sampling until no new data emerge”. She suggests avoiding the confusion between initial sampling, which is where you start, and theoretical sampling. Instead, theoretical sampling focuses on data, on creating potential new concepts through data, and analysing them through empirical inquiry. By doing so, theoretical sampling contributes substantially to expanding the properties of the categories at play which allows improvement of the nature of the basic processes. Finally, within the process of theoretical sampling, the abductive element is absolutely crucial. As Charmaz (2006, p.119) states: “abductive inference entails considering all possible theoretical explanations for the data, forming hypotheses for each possible explanation, checking them empirically, by examining data, and pursuing the most plausible explanations”. Thus, the main purposes of theoretical sampling are: defining the properties of a category; corroborating the intuition about the categories; saturating the properties of a category; and specifying the relationships between emerging categories (Charmaz, 2006). This substantiates the idea of constructivist grounded theory as a systematic method of inquiry with several strategies and that can be considered: inductive, comparative, interactive, iterative, and abductive.

#### *Coding software*

Scholars can use a variety of qualitative data analysis software in order to facilitate the process of analysis of the empirical data. In the past, multiple options have been used in the field of social sciences (Byrman & Burgess, 1994; Coffey & Atkinson, 1996; Miles & Huberman, 1994; Sylverman, 1993; Strauss, 1987). Also, different scholars have discussed the advantages of using computer-assisted qualitative data analysis, such as building a distance between the researcher and the data and making the analysis more homogenous (Barry, 1998). Others have suggested that using qualitative software analysis can make the process more transparent and reliable (Richards & Richards, 1994).

In the case of NVivo software it is particularly suited for researchers analysing large amounts of qualitative data. It has been utilised in the initial stage of analysis and to assist with the initial coding phase of the narrative of the interviews. All the empirical data gathered under the form of interviews have been uploaded into NVivo. Later, coding procedure was based on grounded theory as described above. First, through initial coding, a form of line-by-line coding, and later via a second stage of focused coding. Following NVivo functions, parent

nodes have been developed among the categories that emerged from the previous phases of coding.

As one of the most advanced types of data analysis software tool, NVivo is also an optimal source in terms of data management and organisation, which is useful when the researcher manages large amounts of data (Schreir, 2012). Nevertheless, it is important to point out that the use of this type of software, for example in grounded theory, has also been criticised, as the software itself and the main functions can guide the researcher in building codes (Seidel, 1991). In the case of this PhD study, the decision to use NVivo has been driven by the need to make more efficient the process for the researcher (especially in the early stages) and to store the data in a more efficient way, rather than forcing any type of interpretation.

While each of the three studies presented in this PhD dissertation shows amply my data analysis process, evidence of coding, development of conceptual categories and final construction of model and frameworks, I provide a table below that briefly shows extracts from some of my data-interviews; I present raw data in the left column, and then the initial and focused coding process next to it. The aim of this table is to provide further evidence of my data analysis process based on constructivist grounded theory procedures.

**Table 6**  
Selected examples of grounded theory coding

Text from Interviews	Initial (Open) Coding	Focused Coding
<p><i>“On many occasions, the States of almost every country, even developed countries, have generated free zones. For example, there are the maquilas, and we have La Salada. La Salada is a result of the lack of State, of a market failure, or maybe a market success. Because the market does discriminate.”</i></p>	<ul style="list-style-type: none"> <li>• Explaining how states contribute to create grey zones.</li> <li>• Comparing Argentina with Mexico.</li> <li>• Talking about the lack of enforcement.</li> <li>• Discussing the role of the market.</li> </ul>	<p>Generating zone of exceptions.</p>
<p><i>“What I can say is that this starts with a fictional discourse, where our societies (in Latin America) had to grow based on an idea of trickle-down-effect and that was going to build social cohesion. I personally think that we should start from the social cohesion and that determines growth and development. Instead it consolidated an idea of (market) winners and losers. It consolidated an idea that modernisation would also bring along people who know how to take advantage of it and not to lag behind. The consequence of this idea has been a widening social gap. By widening this social gap, there was a sector of society, an elitist one, who would not consume ever from a place like La Salada. On the other side, there is also a huge majority that started to have different rules of the game, as for example the informal economy.”</i></p>	<ul style="list-style-type: none"> <li>• Explaining a macro-discourse.</li> <li>• Criticising liberalism ideas based on free markets.</li> <li>• Highlighting importance of social cohesion.</li> <li>• Explaining how to achieve development.</li> <li>• Suggesting problems with markets dynamics.</li> <li>• Emphasising market discourse assumptions and shortcomings.</li> <li>• Linking neo-liberal ideas with social inequality.</li> <li>• Suggesting type of consumers who would not buy from La Salada.</li> <li>• Emphasising large mass of consumers who need to buy from La Salada.</li> <li>• Disenfranchised people creating alternative rules.</li> </ul>	<p>Identifying causes of inequality. Living in a neo-liberal world. Decoding informal economy consumers.</p>
<p><i>“In the beginning they knew that the more people came to sell, the</i></p>	<ul style="list-style-type: none"> <li>• Achieving critical mass of people.</li> </ul>	<p>Gathering in the same place.</p>

Text from Interviews	Initial (Open) Coding	Focused Coding
<p><i>more people would come to buy. But afterwards, when it grew, they said “ok, that’s enough”. The people who had a small capital started to produce, generating jobs for their families, their neighbours. And working people were given a space here in the neighbourhood. So, a certain equality of opportunities emerged. [...] At La Salada they all learned to live together. All of them, Bolivians, Peruvians, Paraguayans. All of them learned to co-exist.”</i></p>	<ul style="list-style-type: none"> <li>• Avoiding getting more people.</li> <li>• Investing small capital.</li> <li>• Helping the neighbourhood.</li> <li>• Having an opportunity.</li> <li>• Improving life conditions.</li> <li>• Highlighting a community element.</li> <li>• Showing multicultural context.</li> </ul>	<p>Diminishing forms of inequality.</p>
<p><i>“For example, in Argentina during crisis of 2002 (and after) we had institutions like the piquete. The piquete is sanctioned by the penal code. But you can sanction one or two people. But you cannot sanction a hundred of thousands of people who are invoking at the piquete because they do not find any response in other formal institutional mechanisms. If the State is capable of listening and channeling the social demand through its formal institutions, then people will respect such formal institutions. Otherwise they will channel somewhere else, taking a shortcut.”</i></p>	<ul style="list-style-type: none"> <li>• Remembering a time of crisis.</li> <li>• Explaining crisis of formal institutions.</li> <li>• Highlighting the role of the law.</li> <li>• Suggesting the limits of the law in sanctioning people.</li> <li>• Showing lack of acceptance in formal institutions.</li> <li>• Visualising state’s weaknesses.</li> <li>• Linking state’s weaknesses with people’s behaviour.</li> <li>• Showing alternative way to complain.</li> </ul>	<p>Perceiving weak formal institutions. Justifying people’s behaviour.</p>

Source: Author’s elaboration.

## 2.11 Closing remarks

Qualitative inquiry of analysis should attempt to answer a key question: “what are the characteristics of a social phenomenon, the forms it assumes, the variations it displays?” (Lofland, 1971, p.13). Qualitative research then tends to provide answers about the forms, the kinds and types of social phenomena and detail with rich descriptions of the things that exist

out there. These dimensions can be studied by either providing static depictions or reporting sequences or processes through which the social phenomenon occurs over time. This study provides a process approach to capture moving arrangements. As Lofland (1971, p.2) has said, “they try holistically to assess the life situation of the other as this other conceives it. In sociological parlance, this is called ‘talking the role of the other’”.

Suddaby (2006, p.638) explains that grounded theory was developed “as a practical methodology providing understanding of a complex social phenomenon, and as a way of occupying a middle ground between slippery epistemological boundaries”. One of the criticisms of grounded theory has been the strong early focus on induction by undermining the role of theoretical sensitivity. Finally, grounded theory cannot be considered an “easy” methodological approach to data; as Goulding (2009, p.392) has explained, “it is possible to develop hundreds of codes, but fail to grasp the connection between them”. It is a time-intense process and for novice grounded theorists is a challenge “linked to the theoretical sensitivity of the research and the depth of experience in using the methodology” (Goulding, 2009, p.392).

This investigation and its research design and epistemological assumptions follow the call of Amis and Silk (2007, p.2) who suggest that “quality in qualitative research cannot be divorced from the political, axiological, ontological and epistemological orientations of the scholarship”. They suggest that traditional and dominant paradigms within management and organisational scholarship based on positivism are not necessarily capable of reproducing the current tensions and contexts among which organisations play a substantive role. By encouraging a plurality of methods and representation of contexts I suggest that this study and its methodological choices are a contribution to advance the field of organisational studies and promote a further multiplicity of methods and issues to be studied.

Lofland (1971) argues that one of the fundamental methodological insights of qualitative study of people is the process of discovery, which represents a method of learning what is happening in lived reality. According to Lofland (1971, p.7), “in order to capture the participants ‘in their own terms’, one must learn their analytical ordering of the world, and their categories for rendering explicable and coherent the flux of raw reality.” As Gergen and Gergen (2000, p.1025) suggest, “the domain of qualitative inquiry offers some of the richest and most rewarding explorations available in contemporary social science”.

The methodology of this study has been set out in detail in this chapter, explaining the basic goals and the choices made to best achieve them. The understanding of subjective perspectives of individuals and their contexts, and how to identify, verify and represent them in objective

terminology are critical in the social sciences; following the terms set out here the three studies that follow should add knowledge to the chosen field. The following section will discuss the first essay, based on organisational responses of La Salada entrepreneurs to value chain inequality.

# **PART III**

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## **Chapter 3**

### **First Study**

Breaking the Chain: Institutional  
Entrepreneurship in the Informal Economy as  
a Response to Economic Inequality

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**Key words:**

Inequality; Institutional entrepreneurship; Social movement theory; Value chains;  
Informal economy.

### 3.1. Introduction

*“Look at this, just 135 pesos!” exclaims a satisfied Rodrigo Vega as he brandishes a pair of jeans, explaining that the price, about \$15 at the overvalued official exchange rate, is at least a fifth of what they might cost in a more upmarket Argentine shopping centre...For Mr Vega, like many other Argentines struggling to get by on wages sapped by double-digit inflation and flatlining economy, it was worth the seven-hour bus ride from the interior to get to La Salada. Its popularity first exploded during the country’s economic collapse at the start of this century as bargain-hunting Argentines were drawn in by rock-bottom prices of textiles made in local sweatshops”*

*(Financial Times, June 23<sup>rd</sup> 2015)*

Inequality inherited from the colonial past has shaped key Latin American economic institutions; fragmented markets, political instability and weak institutional structures represent not only fundamental features of the past, but also key elements to understand the current institutional deficits in the region as representative of emerging economies (Edwards et al., 2004). Over two hundred years after the end of the colonial era, Latin America continues to be the most unequal region in the world (Lopez-Calva et al., 2015; Gasparini et al., 2009; Gasparini and Lustig, 2011; Cornia, 2014; World Bank, 2004; Bourguignon and Morrison, 2002). Countries in Latin America present large inequalities of income and consumption, access to education, land, basic services, and other socio-economic variables (Gasparini et al., 2009). Additionally, studies also show that the creation of quality employment has been lower in Latin America than in any other growing economy. As a result, the informal economy is still a pervasive and key characteristic of labour markets in Latin America (Gasparini, Tornarolli, 2007). How do the two fundamental economic and social issues relate to the organising of the largest informal market in Latin America (Sassen, 2011)? The answer lies in understanding the emergence of this phenomenon as a set of complex organisational practices in response to persistent labour inequality in the apparel value chain. This inequality undermines the credibility of formal institutions in the value chain, institutions that are perceived as illegitimate (Davis, 1939; Williams and Horodnic, 2015). The lack of wage stability has pushed these informal entrepreneurs to begin the creation of an alternative

marketplace where they could directly reach customers, thereby leaving out the traditional apparel value chain with its intermediaries and high costs. In the same vein, Selwyn (2016) claims that integration into the global value chain generates new forms of worker poverty and exacerbates global inequality. He suggests that labour costs are reduced because supplier firms react to downward cost pressures exerted in the chain and by reducing wage costs. Thus, lead firms and intermediaries capture most of the economic rent, while workers in these chains are exploited severely. Madeiros and Trebat (2017) indicate that in contexts like Latin America institutional changes have made it easier for firms to reduce wage costs. Most importantly, leading scholars state that “all these changes took place in a framework of weak labor institutions and safety nets, and hence their consequences made a full impact on the social situation” (Gasparini and Lustig, 2011, p.3).

While the informal economy has been a subject of study in various social sciences for years, management scholars have neglected the study of organisations operating within the informal economy (Webb et al., 2009; Khavul, Bruton & Wood, 2009; Godfrey, 2011; Bruton, Ireland & Ketchen, 2012; McGahan, 2013). This lack of research by management and organisational scholars is surprising for many reasons: firstly, due to the significant role of informal firms in the overall world economy (Neuwirth, 2011), but more importantly in light of the dominant role informal firms play in the economies of many emerging markets, for example India or Mexico, with the informal economy representing nearly 80% and 60% respectively of the total employment in those two countries, (World Bank, 2007).

The black market called La Salada has escaped the inequality-generating logic, described above, of competing within the value chain, and in just 25 years has become one of the most prosperous ventures of Argentina and Latin America’s retail and shopping mall industry. The emergence of this vast black market has significant economic, social and political implications. For management and organisational scholars, it represents an opportunity to theorise extreme cases and to learn how complex organisations functioning within the informal economy generate institutional change (Davis & Cobb, 2010; Riaz, 2015). Berger and Luckman (1967) debate the idea of institutional change and deinstitutionalisation or the conflict among competing institutions, discussing “the conflict that occurs between an individual’s primary and secondary internalisation of competing, objective institutions” (Haunschild and Chandler, 2008, p.630). Thus, institutional change is viewed as the result of competition among institutions (Dacin et al., 2002). There is some disagreement about whether change is essentially adaptive or caused by inertia resulting from isophormism (Haunschild and Chandler, 2008).

Sources of institutional change include endogenous and exogenous ones (Meyer & Rowan, 1977; Zucker, 1977). Following Haunschild and Chandler (2008, p.631), the exogenous sources of change are “the influence of institutional and technical forces in the environment, a state of incomplete institutionalization and other contextual factors, and also exogenous shock that alter the firm’s environment”. Endogenous sources of change are based on recognising the importance of individual actors and organisations as sources of change. Several scholars have noted the lack of explanatory power of exogenous sources of change to produce a more complete theory of organisations (Powell, 1991).

While initially authors were more concerned with institutional change within a firm’s boundaries, here I focus more on the institutional change at the field level (Hining et al., 2004). Several examples can be traced within the literature, such as Brint and Karabel (1991) and Miner, Haunschild and Schwab (2003), who recognise explicit sources of endogenous change at the field-level, “including the presence of an industry structure that rewards winner take all models and imperfect inter-firm copying of routines” (Hauschild and Chandler, 2008, p.634).

In my dissertation and particularly this first study, the notion of institutional change is understood as “an exit from one state and entry into another state” (Rao and Giorgi, 2006, p.270). More explicitly, the authors suggest that “the formation of (new) institutions entails an exit from social entropy or non-reproductive behavior patterns and entry into a system of taken-for-granted behaviors reproduced over time...deinstitutionalization embodies an exit from one set of taken-for-granted behaviors and an entry into social entropy, or a deliberate action needed to maintain those behaviors” (Rao and Giorgi, 2006, p.271). The authors suggest that the process of re-institutionalisation is based first on mechanisms of de-institutionalisation of existing beliefs, norms and values and, later, in a following phase, creating a new structure for new beliefs, norms and values (Rao and Giorgi, 2006; Davis & McAdam, 2000; McAdam & Scott, 2005). In the case of La Salada, the process of de-institutionalisation has undermined beliefs about how apparel workers and producers, often within sweatshops, could work. Until then, the only way that was conceived was based on unfair competition among sweatshops and nearly unpaid or late paid work. Workers would not have any other choice about how to place and sell their goods. La Salada dismantles such existing norms about how the business was run and provides a new platform of thousands of workers and micro-entrepreneurs to reach directly the customer, by-passing all the intermediaries. Until then, thinking about such a structure would go against beliefs about how you do business in the apparel value chain. Institutional entrepreneurs often lead these processes, as they are socially skilled and capable of identifying political opportunities to frame issues and mobilise resources. In this case, the

role was played by such actors as Gonzalo Rojas and Jorge Castillo. While framing, or “meaning-work”, is often described within the social movement literature as significant to understand institutional change (for example under the form of rhetorical strategies (Suddaby and Greenwood, 2005)), itself alone is not sufficient to explain change in institutions (Rao and Giorgi, 2006). The ability to take advantage of political opportunity and mobilise structures is also central (McAdam, McCarthy, & Zald, 1996; Tilly & Tarrow, 2001). Both political opportunity, understood as having access to political structures, powers or elites (Tarrow, 1989) and the capacity to mobilise structures for collective action through social movement type organisations (McCarthy and Zald, 1977) are important to effect institutional change. In La Salada, the aforementioned institutional entrepreneurs possessed such a capacity and were able to recognise opportunities in which they could exercise it. The dialogue between neo-institutional theory and social movement theory has not always been capable of fully explaining how entrepreneurs who are willing to build new institutions successfully undermine an already existing code or logics (Rao and Giorgi, 2006). According to Rao and Giorgi (2006), institutional entrepreneurs can operate outside or within a given social system and can either exploit an already existing code or import another code or logic from a different field. They write (2006, p.274) that institutional change also emerges from the subversion mechanism, in which “insiders skillfully deploy an existing institutional logic in an existing organizational field or domain to promote radical institutional innovation”. As the authors explain, it is the ambiguity within the field that provides incentives to those insiders who want to mobilise resources to deploy subversive framings.

By building on the emerging synthesis of social movement theory and institutional theory (Rao and Giorgi, 2006), in this study I look at how the institutional entrepreneurs in the informal economy exploited the illegitimacy of formal wage practices to generate institutional change. This shows how these entrepreneurs and workers deployed a pre-existing practice of working informally to push forward their emerging institutional project. I develop a model that highlights how the success of these framing activities has been contingent on three mechanisms (Zald, McAdam, Scott, Zald, 2005; Rao and Giorgi, 2006; Mahoney and Thelen, 2010): bricolage, political opportunity and triggering subversive framings. I show how workers and entrepreneurs activating these mechanisms are able to draw on indigenous customs, to exploit the ambiguity and contradictions of wage inequality in the value chain, and how they strategically channel the illegitimacy of formal labour institutions (Foti, Lauridsen, Rodgers, 1996). The social mechanism approach has tremendous value as it allows the identification and interpretation of non-obvious aggregate patterns (Davis, 2006); as Elster (1989, pp.3-4) has stated, “to explain an event is to give an account of why it happened.

Usually...this takes the form of citing an earlier event as the cause of the event we want to explain ... [but] the causal mechanism must also be provided, or at least suggested". Accordingly, this study aims to fill two substantial gaps: first, to respond to Schneiberg and Lounsbury's (2008) call to reintroduce politics and contestation into institutional analysis and mobilisation studies to strengthen the field of institutional entrepreneurship; and second, to positively respond to multiple calls for understanding of economic inequality to be brought back into management and organisational practices and processes, by understanding and explaining micro-practices that can either exacerbate or mitigate inequality (Riaz, 2015; Amis, Munir and Mair, 2017). The study also responds to the rising call for management scholars to actively engage with societal issues and problems (Davis and Marquis, 2005; Bauji, 2015; Seelos and Mair, 2017; George, McGahan & Prahbu, 2012).

I show how disenfranchised actors who have been playing the role of losers within the GVC respond to it by first highlighting the inefficiencies and injustices of the mainstream system, and later by legitimising their new field and its practices. Light is also shed on how formal value chain mechanisms fail to provide a fairer distribution of income in Argentina's garment industry. The study is structured as follows. First, it discusses the nature of inequality in the apparel global value chain and reviews the literature on institutional entrepreneurship and on social movement and organisation theory. Second, it introduces the research context and explains the chosen methodology. Third, it presents the findings, focusing on the specific social mechanisms developed by the institutional entrepreneurs. It concludes with discussion of the contribution to, and highlights directions for, future research.

## **3.2 Theoretical context**

### **3.2.1 Institutional entrepreneurship in the context of the informal economy**

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). As Thornton and Ocasio (2008) suggest, institutional entrepreneurs can creatively import and export cultural symbols and practices from one institutional order to another; moreover, they can use different types of mechanism to modify and manipulate symbols and practices, for example, rhetorical strategies (Suddaby and Greenwood, 2005). As Hardy and Maguire (2008) point out, it was Dorado (2005, p.388) who stated that institutional entrepreneurs are "actors who break away from scripted patterns of behavior" and strive "to develop strategies and shape institutions"

(Leca and Naccache, 2006, p.627). Research has provided examples of institutional entrepreneurs acting as individuals (Fligstein, 2001b; Maguire et al., 2004), as organisations (Garud et al., 2002), as social movements (Rao, 1998; Lounsbury et al., 2003), and as networks (Dorado, 2005).

Some research has looked at how actors' positions in their given field enable them to act as institutional entrepreneurs. This research has asked, for example, to what extent fields are able to create a limited amount of subject positions (Maguire et al., 2001). They found that the legitimacy certain actors enjoyed with key stakeholders allowed them to become institutional entrepreneurs, facilitating their access to resources. Other studies have found that institutional change can be started by powerful actors in core positions within the field (Townley, 2002), but also that these same actors may not be as embedded in a single field as strong institutionalist views would have it (Greenwood and Suddaby, 2006). In fact, these actors may have access to other practices in different fields by applying multiple mechanisms (Hardy and Maguire, 2008). Other research has also shown that institutional change can be initiated by actors located at the periphery of the field, or simply the less powerful. A famous case was Napster, which challenged the established field of the American music industry by opening up space for new practices (Hensman, 2003). Peripheral actors more easily come up with new ideas that challenge the established field, but they may also be less connected and resourceful. This type of institutional change resonates with our case of La Salada. As peripheral actors, they will more easily be exposed to alternative views, but they may lack the necessary grasp of institutional norms and practices (Suddaby and Greenwood, 2006; Maguire, 2007).

Other work has explored the stimuli that trigger the institutional entrepreneur (for example uncertainty, which leads to other issues in the field that require either new solutions or new institutions), or the particular state of the field (for example, whether it is emerging, mature and stable, or in crisis) (Fligstein, 1997). Uncertainty, then, can push actors to start institutional change. This approach focuses more on the economic dimension of the process of institution-building and conceptualises actors as rational, suggesting that uncertainty in the field promotes institutional change as the players of the field pursue its minimisation. The authors suggest that the relationship between uncertainty (at the field level) and institutional entrepreneurship is not completely clear, and they call for additional research into this area. A different stream of research has focused on the tensions and contradictions at the field level that provide opportunities for institutional change (Dorado, 2005; Greenwood et al. 2006; Rao et al. 2003). As Clemens and Cook (1999) point out, new members are able to join the field with new

identities, and current members of the field may bridge with other fields and therefore be exposed to a wide range of different practices.

Another, different stream of work has looked at the specific field conditions – whether the field is emerging, stable or in crisis – suggesting that certain field conditions are linked with greater opportunities for institutional entrepreneurship (Fligstein, 1997). Emerging fields, for example, can provide great opportunities for institutional entrepreneurship because they lack institutionalised norms that can be capitalised on by actors (Maguire et al. 2004). Equally, fields in crisis can be particularly suited to institutional entrepreneurship. Crisis can bring to light ambiguities and pressures even in very mature fields (Fligstein and Maradrita, 1996). As highlighted by McGahan (2012, p.15) “institutional entrepreneurship, pursued by individuals or informal organizations such as Napster, is the study of informal economic activity precisely because it focuses on the processes that give rise to regulatory framework for legitimacy and thus for formality”. Following McGahan (2012) we can gain new insights into the field of institutional entrepreneurship by studying organisations embedded in the informal economy, such as La Salada.

### **3.2.2 Social movements and institutional theory**

The challenges facing institutional theory in explaining change and emergence are increasingly a focus of attention. Schneiberg and Lounsbury (2008) have highlighted the importance of reintroducing politics and contestation into institutional analysis, and point out how a critique of institutional theory has focused on explanations about isomorphism, diffusion, or path dependence, which relate to “ad hoc explanations like exogenous shocks in order to reconcile change and path creation with theories that stress the contextual sources of stability, continuity and conformity” (Schneiberg and Lounsbury, 2008, p.648, quoting Greenwood and Hining, 1996). Given this starting point, some authors have started to look at fields as containing ambiguities and contradictions, and thus opening space for new theoretical development (Scott, Ruef, Mendel and Caronna, 2000; Schneiberg, 2002). Scholars have shifted their attention to actors and how they act and create, by looking at “institutional entrepreneurship” (McGuire, Hardy and Lawrence, 2004) or institutional work (Lawrence and Suddaby, 2006).

Within this niche, and to avoid accusations of excessive institutional determinism (Schneiberg and Lounsbury, 2008), researchers have begun to integrate social movement theory (SMT) and studies of collective action and mobilisation. These types of study point out the importance

of collective action and mechanisms of mobilisation. This leads to examination of how groups activate and make claims against certain institutionalised practices in order to create a new institutional project or transform an existing one (McCarthy and Zald, 1977). Another distinctive element of this line of research is the focus on how collective action rests on certain key mechanisms used to mobilise resources, such as framing issues for the acceptance of their claims, political opportunity structures or bricolage (Davis, McAdam, Scott and Zald, 2005). The work of Hardy and McGuire (2008) on institutional entrepreneurship integrates SMT by analysing strategic actions and how actors from within an institution can change such a system, how formal institutions push or minimise change, and how actors can leverage the contradictions of existing fields to create new ones (Schneiberg and Lounsbury, 2008). The combination of studies of institutional entrepreneurship and social movement theory has strong structural dimensions. Rather than placing the whole focus on “causal efficacy to individuals” (Schneiberg and Lounsbury, 2008, p.628), they look at politics and collective action and mobilisation as mechanisms for change and how these mechanisms relate to institutional contexts. Thus, rather than supporting a static agentic, actor-centred institutionalism, this approach suggests including structural insights that complete our understanding of the processes of change.

This emerging research direction provides an opportunity to more effectively systematise social movement mechanisms and the links between these mechanisms, institutional contexts, and outcomes (Schneiberg and Lounsbury, 2008). Campbell (2005) and Davis, Adam, Scott and Zald (2005) have explained the importance of the common mechanisms in organisations and social movement research, noting that social movement theory has provided us with tools for organisational analysis (Davis and McAdam, 2000; Rao et al., 2000). An example of this is looking at how the resource mobilisation tradition drew on organisation theory, encouraging researchers to continue working in this direction. In particular, the mechanisms in question are “the processes that account for causal relationships among variables” (Campbell, 2005, p.42), or what Elster (1989, p.3) has described as “nuts, bolts, cogs, and wheels that link causes with effects”.

This empirical study contributes to the understanding of the causal mechanisms responsible for the exploitation of illegitimate formal labour institutions to successfully generate institutional innovation. Three types of mechanism have been identified: environmental mechanisms, the external factors that impact individual actors’ capacity to provoke change; cognitive mechanisms, which affect how actors understand their capabilities to generate change; and relational mechanisms, which impact how the use of networks empowers actors

to root change (Campbell, 2005). In this study, we are concerned with two of these: the environmental and the cognitive. Particularly, we focus on the political opportunity structure mechanism (a type of environmental mechanism) and the bricolage mechanism (which belongs to the class of cognitive mechanisms). The first one is important to understand how “formal and informal political conditions encourage, discourage, channel, and otherwise affect movement activity” (Campbell, 2005, p.44). Here we aim to show how formal and informal local political institutions in Argentina have been creating the conditions for institutional entrepreneurs at La Salada to channel the ambiguity of formal labour institutions and, above all, how they have leveraged the ambiguity of politics towards informality by exchanging financial support for political campaigns with tacit agreements regarding the illegalities that characterise the activity of the market. Bricolage explains the “innovative re-combination of elements that constitutes a new way of configuring organizations, social movements, institutions, and other forms of social activity” (Campbell, 2005, p.56, citing Balkin, 1998; Douglas, 1986; Levi-Strauss, 1966).

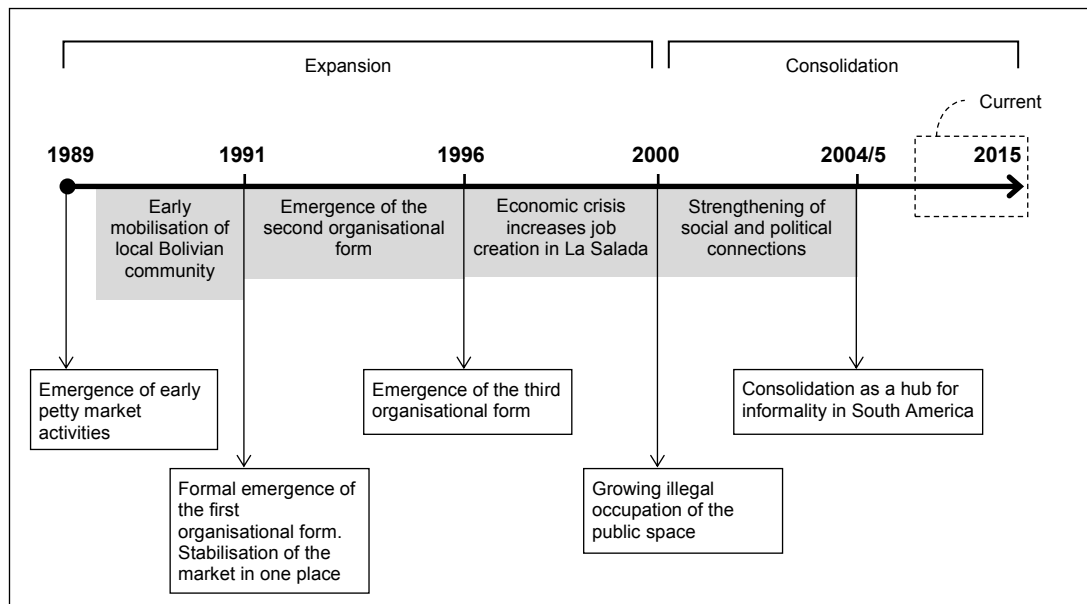
The concept of bricolage was coined initially by Levi-Strauss (1967), having a quite specific meaning as doing it with “whatever is at hand” (Levi-Strauss, 1967, p.17). As stated by Rogers (2012, p.1) “bricolage research can be considered a critical, multi-perspectival, multi-theoretical and multi-methodological approach to inquiry...the theories that underlie bricolage make it far more complex than a simple eclectic approach”. Historically, the bricolage metaphor has been used substantially in qualitative research and it refers to “practices explicitly based on notions of eclecticism, emergent design, flexibility and plurality” (Rogers, 2012, p.1). Rather, the literature where I draw on the notion of bricolage is social movement which conceptualises bricolage as a cognitive mechanism and not in the metaphor of the bricoleur or as used by Denzin and Lincoln (1999). A few organisation theorists have drawn also on this notion of bricolage (Campbell, 1997; Stark, 1996) or Haveman and Rao (1997) studying how the California thrift industry has changed through a process of continuous re-blending of several elements. Campbell (2005) suggests that bricolage can be based on the blending of both technical and symbolic elements. As Campbell (2005) explains, new organisational forms or social movement types of organisation strategies and frames can be implemented through the re-combination of elements already available. In my study, bricolage has taken the form of drawing on indigenous customs and traditions from Bolivia and re-combining them in an innovative way. Finally, the subversion mechanism is introduced, by which the actors concerned exploited contradictions and validated an alternative to the formal value chain.

### 3.3 Research context

Below, I highlight the timeline of the emergence of La Salada and locate this study in this specific timeline. This timeline also helps us understand the key events of the historical evolution of La Salada.

**Figure 6**

Timeline of La Salada's emergence and evolution



Source: Author's elaboration.

In La Salada's emergence as an organisation, a community of disenfranchised Bolivian immigrants started to organise to improve their working conditions and to gain income stability (Sassen, 2011). Between the late 1980s and the early 1990s, Argentina was characterised by increasing economic inequality (Gasparini et al., 2009) (Figure 7). In this context, clothing producers who had immigrated from Bolivia were struggling due to their exploitation by factory bosses who paid them poorly and late. In 1991, a group of them began informally selling their manufactured wares directly to people (Giron, 2013). Interestingly, within the same period, labour informality increased substantially (Gasparini and Tornarolli, 2007) (up to 2003). Also, particularly during the 1980s and 1990s, the rate of informal employment rose more in Argentina than in any other country in Latin America (Gasparini and Tornarolli, 2007) (see Figure 8). (I define an informal worker or an informal entrepreneur as an individual who is either a salaried employee or an independent worker – i.e. micro-

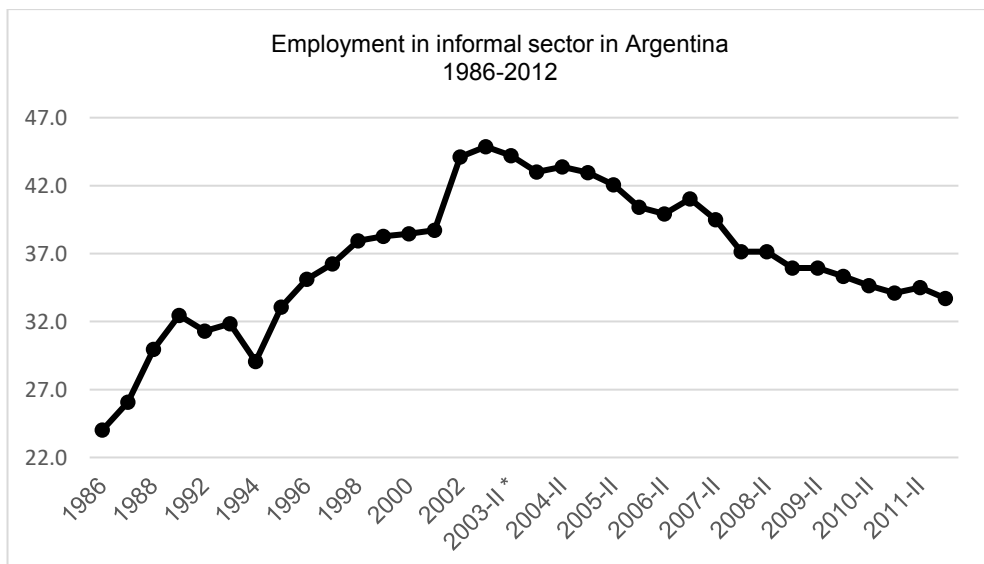
entrepreneur – performing activities that are illegal but, for some large social group, legitimate, and who is not making contributions to the social security system; cf. ILO, 2010; Webb et al., 2009).

**Figure 7**



Source: Cedas-World Bank (2015).

**Figure 8**



Source: Cedas-World Bank (2015).

In the case of Latin America, most unskilled workers are informal. Interestingly, some studies have shown that independent informal workers gain higher salaries than formal workers in certain Latin American countries (Perry et al. 2007), or that there is no evidence of a formal-sector wage premium (Pratap and Quintin, 2006). This is relevant to our study because we are looking at the organisational response of La Salada's entrepreneurs to the growth of income inequality and informality in Argentina, as well as to the enduring effects of the changes in the textile sector in Argentina during the early 1990s, which produced further inequality in the value chain for those workers who would normally be the weakest link of the production chain. This configuration of events and features makes La Salada a unique, extreme case. Examining such cases is useful when "the purpose is to try to highlight the most unusual variation in the phenomena under investigation, rather than trying to tell something typical or average about the population in question" (Mills, Durepos and Wiebe, 2010).

### **3.3.1 Informality and the organisational drivers of economic inequality in global value chains**

Kaplinsky and Morris (2002, p.4) state that "the value chain describes the full range of activities which are required to bring a product or service from conception, through the different phases of production, delivery to final consumers and final disposal after use". The GVC concept was introduced in the 1990s (see, e.g., Gereffi, 1994; Gereffi and Korzeniewicz, 1994). Building on the work of Kogut (1985) concerning the "value-added chain" and by Hopkins and Wallerstein (1986) on the "commodity chain", it describes and explains a crucial shift in global production processes brought about by the evolution of transnational firms (Bhattacharjee and Roy, 2015). Gereffi et al. (1994) describe the organisational changes whereby these firms boosted organisational flexibility by outsourcing production in order to secure higher profit margins; in so doing they transformed international trade relations into power relationships, increasing the market power asymmetries between the various actors in the chain (cf. Bhattacharjee and Roy, 2015). One of the key elements of the chain are the value-added links or intra-chain linkages.

In this sense, the analysis of the organisation of GVCs is helpful to understand patterns and changes in the relationships between firms and workers inside the chain and how the value is transferred from one place to another. Gereffi et al. (1994) point out that the governance architecture is one of the salient features of GVCs because it helps us to understand if the chain is buyer-driven or producer-driven. In the case of sectors such as garments, they are buyer-

driven because they are characterised by low technology intensity, low salaries and very high outsourcing, and are controlled and managed by the final buyers.

GVC theory essentially aims to understand contemporary capitalism by looking at the organising processes and governance of the production structures which represent one of its basic functioning mechanisms. But then it also highlights the asymmetric relations that characterise these chains, the unequal distribution of the profits created and consequently the sources of economic inequality within them. Gereffi et al. (1994) suggest that these processes of global integration of production relationships can have positive effects in terms of development. However, at the same time they acknowledge the highly asymmetric nature of these relationships which are part of today's global economy.

Nevertheless, GVCs are part of the development discourse and are often seen as representing an opportunity for supplier firms in developing countries to participate in the global economy by linking up with transnational lead firms. In contrast to this view, recent work has shown how precarious workers in these chains are systematically paid less than their subsistence costs, and how transnational firms leverage their monopsony power to capture most of the rent (or share) of the value created (Selwyn, 2016). The author states that "where a permissive and supportive environment exists, firms can attempt to raise their profitability through imposing the worst kinds of labour practices upon their labour forces" (Selwyn, 2016, p.10). One of the fundamental insights of GVC analysis is that it is "firm-centric" which does not consider labour-capital relations by simplifying the social world surrounding the relationships within GVCs. Medeiros and Trebat (2017, p.13) point out how "the new division of labor in global manufacturing led by MNCs causes an asymmetric value distribution between activities (mainly in services) where economic rents are pervasive and activities (mainly in manufacturing) where competition is fierce".

One of the mechanisms underlying this is what Doane (2007) calls the casualisation of employment and subcontracting as a strategy to skirt labour regulations while reducing labour costs. De Medeiros and Trebat (2015) suggest that GVCs' prevalence in low technology manufacturing sectors such as textiles, together with the hierarchical division of labour, reduces the bargaining power of labour. They cause cut-throat competition at the lower value-added stages of production, where low incomes and low profit margins are common for workers in emerging economies, reducing already low wages; while at the top of the hierarchy, firms control high-value-added intangible assets as innovation, marketing, or finance. Thus, they argue, GVCs have a critical effect on inequality and the appropriation of rents in modern capitalism (cf. Timmer et al., 2013; Timmer et al., 2014; McCormick and Schmitz, 2001;

Delahanty, 1999). Buechler (2004) presents evidence of a resurgence of production in sweatshops, showing that particularly in global cities there is a sharp increase in the casualisation of the work in businesses often operating within the informal economy (Sassen, 1991; Cacciamali, 1998). She argues that the increase in the casualisation of employment taking place in sweatshops is an increasingly pervasive feature of global capitalism (Buechler, 2004).

Strikingly, and as highlighted by Mohan (2015; cf. Neilson and Pritchard, 2009; Ponte et al., 2014), institutional theory has neglected the analysis of value chain contexts, especially those leading to greater economic inequality. Institutional theory has focused instead on conceptualising formal labour market institutions, for example those related to wage determination (Foti, Lauridsen, Rodgers, 1996). Barrientos, Gereffi and Rossi (2011) and Phillips et al. (2014) acknowledge that the type of employment created in GVCs can have negative effects upon workers, including poverty pay and unfree labour, and have been calling for further investigation of how GVCs contribute to the reproduction of inequality. Such gaps in explaining the mechanism of reproduction of inequality within value chains and organisational responses to it require further research. This study aims to contribute to our understanding of how these mechanisms of inequality work at the organisational level.

In Argentina, the apparel sector is characterised by informality and other forms of precarious employment, going as far as slave labour in sweatshops. According to the ILO (2012), only 37.4% of the total employment within the textile industry is categorised as a dependency relationship formally registered with the social security system. The remainder is either informal wage employment (36.5%) or independent employment (26.1%), much of which is fully informal. The garment sector is characterised by a much higher degree of precariousness and informality: formal wage employment only accounts for 22%, while the rest is 45.5% non-registered work employment and 32.5% independent employment. Within the textile sector in Argentina, only 20% of production involves a formal labour process, and these products tend to have extremely high prices (among the highest in the world measured in USD), while the other 80% of production is characterised by informality, including smuggled products and goods produced locally in Argentina by precarious labour (Kestelboim, 2012; Fundacion Pro Tejer, 2014). The prices of the informally produced goods are easily accessible to a large part of consumers in Argentina, above all the middle class and working poor, who prefer to buy through informal fairs such as La Salada rather than mainstream shopping malls where the prices are much higher.

The garment industry represents a good case to highlight the workings of this mechanism in terms of its tendencies to generate economic inequality. The sector is quite heterogeneous and often characterised by short product life cycles, high volatility, low predictability and a high level of speculative purchase (Bruce and Daly, 2004). However, it also represents the primary industrial building block for emerging economies (Brenton and Hoppe, 2007). It is also heterogeneous in terms of the types of worker it employs. These include workers directly hired by large factories, those hired by small unit firms, those working as subcontractors from their homes, and self-employed garment makers who produce for local markets. In fact, according to various studies, the latter – subcontracted homeworkers who carry out paid work for other firms or their intermediaries, typically on a piece-rate basis – constitute a growing proportion of the workers in the industry (Carr, Chen and Tate, 2000). According to Lieutier (2010), for every textile item sold for 100 USD, the worker receives approximately 1.8 USD.

The author suggests that a typical sweatshop in Buenos Aires often employs between around four to twenty workers, and it is estimated that in Buenos Aires there are 5000 sweatshops, employing approximately 30,000 Bolivian immigrants (Lieutier, 2010). Montero's work (2011) shows that in Argentina there was a strong trend towards informality during the 1990s, with a parallel rise in unemployment. These two trends damaged labour rights and led to a state where workers were satisfied to merely keep a job regardless of the conditions. This is the context in which La Salada emerged.

### **3.4 Data analysis**

This research is part of an effort to understand how institutional entrepreneurs embedded in the informal economy responded to the structural economic inequality of the textile value chain and how they articulated their responses by dealing with the ambiguity of formal institutions (practices). An inductive, qualitative, and grounded approach has been adopted (Glaser and Strauss, 1967), in order to discover the unanticipated and to allow the analysis of the response of institutional entrepreneurs in the specific context of informality and high level of economic inequality. Consequently, this study was designed to generate a new theory, and aims at presenting a new model. My principal data set comprises a four-month organisational ethnography of La Salada. Ethnographic techniques are valuable to capture the interplay of activities and meanings (Van Maanen, 1979), “particularly in the face of competing definitions of reality” (Gephart, 2004, p.457), and allowed us to gain detailed insights into how the different organisations within La Salada have organised themselves and what strategies have

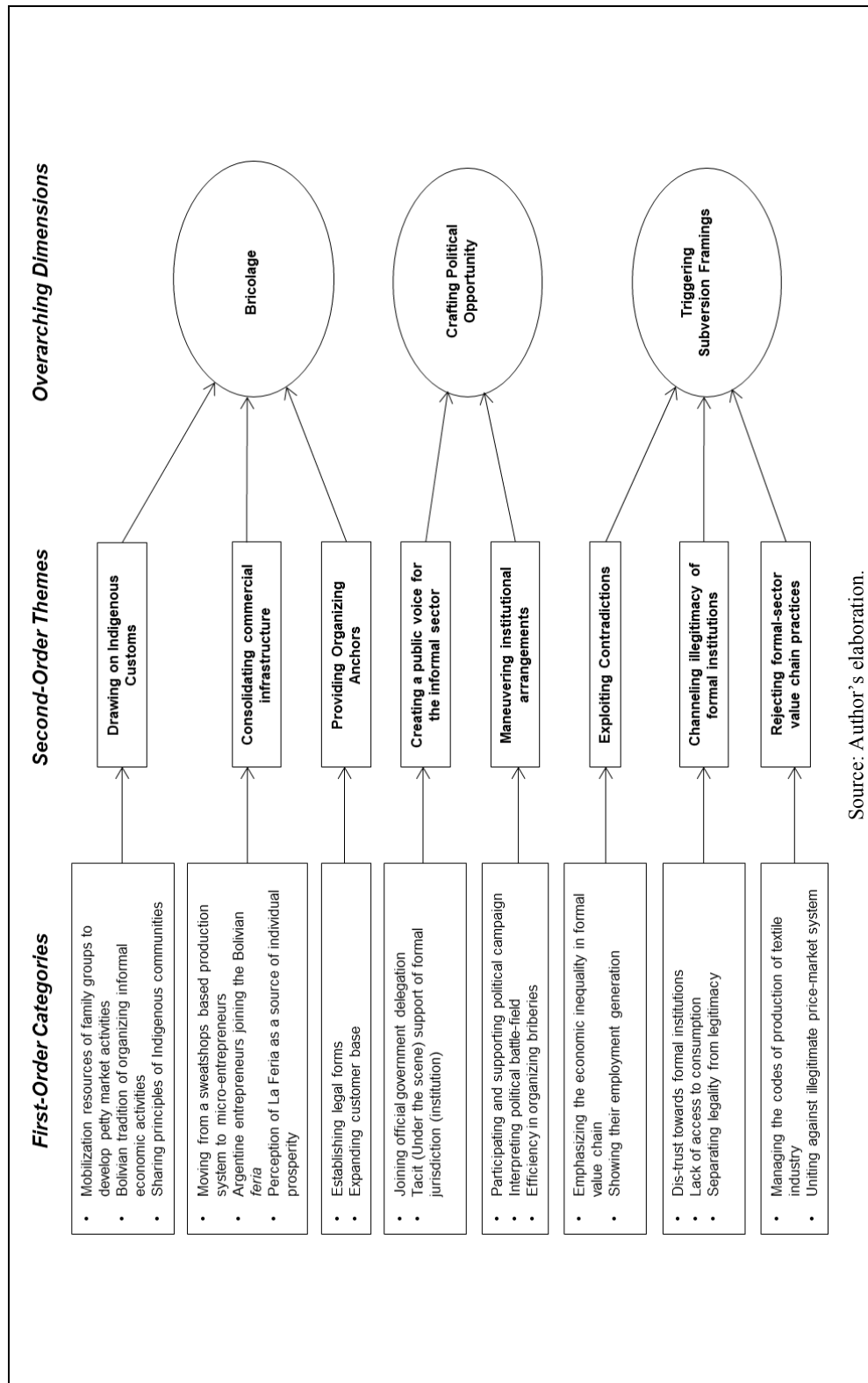
been used to mitigate the impact of social exclusion. I also conducted 75 in-depth interviews and collected archival data. Data-gathering was carried out by a mixture of semi-structured interviews, non-participant observation, and the use of archival documents.

In order to fully understand La Salada's story and its impact on Argentine society and economy, I first organised the data into chronological accounts (Miles and Huberman, 1994), structuring the material according to the original source. Data were inductively analysed following the prescriptions for naturalistic inquiry (Lincoln and Guba, 1985) and having a constant process of comparison (Glaser and Strauss, 1967; Strauss and Corbin, 1990). The first stage includes drawing on the multiple accounts of the interviews, archival data and several documents gathered to construct narratives of the different organisations (ferias) that make up La Salada. From these an understanding of how they responded to economic exclusion and inequality emerges. I ensured that the narrative represented a balance between the CEOs, owners and top management of La Salada on one hand, and the lower-level workers within the market on the other, reflecting the multiple accounts by the interviewees and the archival data, as well as the field notes and the collected media documents. This process was an iterative for examination and comparison of key events (Isabella, 1990), in which our understanding of the historical events as they emerged from the first stages of analysis was checked with key informants within La Salada, and with key stakeholders who are highly engaged with La Salada professionally (e.g., the director of a micro-finance institution, 50% of whose clients are based at La Salada).

Data were collected and analysed simultaneously, and integrated data analysis entailed making systematic comparisons throughout the inquiry (Charmaz, 2006). In line with grounded theory guidelines, the emerging theoretical ideas were constantly compared with the accumulating data, while the researcher remained open to different theoretical understandings, looking for processes in what people said about their experiences and perceptions (Glaser and Strauss, 1967; Charmaz, 2006). In initial coding, each interview was coded separately for processes, with an emphasis on actions, and comparing data with data (Charmaz, 2006). Words, phrases, and key terms mentioned by the informants were coded "in vivo", and first-order codes were derived as a result (Van Maanen, 1979). A large number of codes were generated in this manner. The next step was to move to first-order categories, focusing on the actions, aiming for specificity, looking for tacit assumptions, and trying to crystallise the significance of the key codes, now in a more selective or focused way. At this stage, I developed memo writing in order to better understand what was happening in the data and to explore the content of the qualitative codes (Charmaz, 2006).

Once the first-order categories emerged, I looked for relations between them, which would allow the inquiry to move to a higher level of theoretical abstraction and thus obtain second-order themes. These themes constitute induced concepts with a theoretical basis. Finally, following grounded theory guidelines, the second-order themes are aggregated into overarching theoretical dimensions. This process involved both inductive and abductive reasoning, in which plausible theoretical explanations for the emerging data were considered by checking them against the data until the most plausible description was reached (Charmaz, 2006). During the data analysis process, various social mechanisms emerged at distinct levels of action. These are illustrated in Figure 9, which shows our data structure and highlights the categories and themes from which our aggregate theoretical dimensions were developed, following Corley and Gioia (2004) and Gioia and Corley (2013). These will be discussed in the remainder of the paper.

**Figure 9**  
Data analysis structure



### 3.5 Findings

In this section, we present La Salada's story as it emerged from the data. The story can be understood as a case where three specific social mechanisms have been employed to escape the social and economic exclusion resulting from the crisis of the formal labour institutions in Argentina. These three mechanisms are: bricolage, subversion, and crafting political opportunity. For each mechanism, I describe the factors that contributed to it and how they come together. In the case of the bricolage mechanism, I found three themes: drawing on indigenous customs; consolidating commercial infrastructure; and providing organising anchors. In the subversion mechanism, three: exploiting contradictions; rejecting formal-sector value chain practices; and channeling illegitimacy of formal institutions. Finally, in the crafting political opportunity mechanism, two: creating a public voice for the informal sector; and manoeuvring institutional arrangements.

**Table 7**

Extracts of the first-order codes associated with the eight focus codes

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**Drawing on indigenous customs**

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- The Bolivian tradition of organising informal economic activities:

*“Within the Andean Communities, even nowadays, for example in Cochabamba, or within the Altiplano of La Paz, in Oruro, the very core of economic activity is organised through the system of “ferias”. They are open places, where one can go with his own products and sometimes exchange them for something of similar value or utility. Money (currency) is not necessarily the means of transaction there. The explanation is based on the fundamental principles of the Andean economy.”*

- Mobilisation of family resources to develop petty market activities:

*“At the beginning, this feria was not profitable. Customers and also sellers [entrepreneurs] would use this as a meeting point; they would come to La Salada because it was a place to meet fellow Bolivians. However, buyers [customers] started to come in greater numbers once Gonzalo [Rojas] had the idea to give away a car for every opening day of the fair. By the end of 1993, Urkupiña would have up to 20,000 visitors per week. The managers would gather at the end of the day and count the money for the royalties to be paid as well as the money for the police.”*

- Indigenous communities' sharing principles:

*“I come from the province of La Paz, and if I need labour, I will bring my family, my cousins, then their sons, etc. At some point when things begin to go well, we start to make money. At*

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*that point, if my cousin needs money to buy more shirts, since we are within the same community, I will give him the loan, with no papers because I know he will eventually give [it] back to me. And that is not just with my family, it is enough that he is coming from my same province in Bolivia, so in that sense it is like we know each other, and above all, my family back in Bolivia knows him and his family and if he does not pay me back, even his family will socially punish him. Thus, this is why the community works; it does so because of the level of trust between each other.”*

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### **Consolidating commercial infrastructure**

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- Moving from sweatshop-based production system to micro-entrepreneurship (Empowering):

*“We just started as a small group of people, mostly from Bolivia...we would work in small sweatshops and produce for other companies. But when we started to work here, in La Salada and within La Salada, we realised that we could become entrepreneurs and we would be much more empowered than we used to be.”*

- Argentine entrepreneurs joining the Bolivian feria:

*“When we started officially, here in Ingeniero Budge [the location of La Salada], we were mostly Bolivians, but month after month, you would see Argentines appearing here and there, who would be willing to work here, doing anything really. They were attracted by the money; they could not really understand what we were doing, but they believed it was a good place to work and make a living.”*

- Perception of the feria as a source of individual prosperity:

*“During 1991 and 1993, the volumes and revenues grew enormously; every week, more than 3,000 people would come to buy any type of textile products, shoes, food, electronics items, and more.”*

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### **Providing organising anchors**

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- Establishing legal forms:

*“Urkupina obtained its legal form as Sociedad Anonima (S.A.), Ocean is a co-operative firm, Punta Mogote is a Sociedad en Comandita for Acciones (S.C.A.). How do they work? They are huge roofed sheds, divided into the largest possible number of corridors and stalls, each with a central administration that charges expenses and retains some taxes for the treasury. There are owners and also temporary tenants of stalls.”*

- Expanding the customer base:

*“He [the CEO of the largest feria, Punta Mogotes] has a clear vision, a horizon, and a commercial strategy; his main goal is to increase the revenue and make more money. ... I think in 5 years or more, this will become like a proper shopping mall. ... He started with this vision, and it is not so strange that it will look like another formal shopping mall ... it is going to be a shopping mall for the bottom of the pyramid, and it is going to be identified ... because you know, there are people going to the shopping mall just for fun, to spend*

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*time, but not to buy. There [at La Salada] instead, [the working poor] can feel it is their place and they will feel comfortable.”*

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### **Exploiting contradictions**

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- Emphasising the economic inequalities in the formal value chain:

*“I think what happened, at least from my point of view, it was to begin to have a narrative about La Salada, to explain the issue of the textile value chain; building our slogan ‘fair price, fair labour’ to explain the power of La Salada, the power in terms of employment generation, the volume of employment that is created, our social mobility power and the ability to explain this to the media and the government.”*

- Showing their employment generation:

*“La Salada has contributed by letting a huge number of people enter the labour market who did not have any job, and allowing people who normally did not have access to buying goods to access them.*

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### **Rejecting formal-sector value chain practices**

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- Managing the codes of production of the textile industry:

*“Of course, they are using the same sweatshops! The only thing they add on top of it is the brand. So then why not La Salada? I believe we need to construct an idea of how to understand this world.”*

- Uniting against value chain power relationships and intermediaries:

*“This relates to a situation when a system has a logic which is not sustainable in the long term, and finally it falls down. The logic of the value chain with a lot of intermediaries is not sustainable; it can’t be sustained in the future. There was a system that was not sustainable, it could not sustain itself. Thus, how long before the Bolivians would realise they could produce and sell directly with no intermediaries and reaching directly the customers? This means that for the system to be successful, it must be sustainable in the long run. That’s the main problem with inequality, it is not sustainable, because you can keep people working for you almost as slaves, earning very little money, but at some point, the guy is going to rebel against you.”*

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### **Channeling the illegitimacy of formal institutions**

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- Distrust of formal institutions:

*“A source of [La Salada’s] legitimacy has been the abuse of capitalism, in the sense that, for example, if in the digital and music bazaar, an album was more accessible for a working poor family, and young people who like music a lot ... but if that album has a price which is simply too high, then, immediately an illegal system is going to emerge, a parallel, informal system to which more and more people will come. Then you ask yourself, “Why?” if I can have access to a movie for free, for example, and that is called piracy. But popular consumption will call this the only way to access, to afford it, because otherwise it could not afford it.”*

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- Lack of access to consumption:

*“What I can say is that this starts with a fictional discourse, where our societies [in Latin America] had to grow based on an idea of the trickle-down-effect and that was going to build social cohesion. I personally think that we should start from the social cohesion, and that determines growth and development. Instead, it consolidated an idea of [market] winners and losers. It consolidated an idea that modernisation would also bring along people who know how to take advantage of it and not lag behind. The consequence of this idea has been a widening social gap. By widening this social gap, there was a sector of society, an elitist one, who would not consume ever from a place like La Salada. On the other hand, there is also a huge majority that started to have different rules of the game, as for example the informal economy.”*

- Distinguishing legality from legitimacy:

*“When [the notion of] legality moves away from reality, another parallel legitimacy emerges, which in the beginning will be considered illegal. However, later it becomes more and more legitimate, more consumed, and more used. And that is exactly what has been happening with La Salada. Is there a substantial difference in terms of quality between a product sold at La Salada at a given price and a product which is sold at a shopping mall in Recoleta [an affluent district in central Buenos Aires]? What is the substantial difference in terms of quality that justifies a price difference of ten or more times? There is none.”*

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### **Creating a public voice for the informal sector**

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- Joining official government delegation:

*“He [Castillo, one of the owners of La Salada] started to have a presence in the media. I personally travelled to Angola and Vietnam with the President of Argentina [with the official delegation]. The President herself in her speech, she invited us to the dinner of the Argentine Industry. La Salada became archetypal and he [Castillo] is an economic model; he would be invited to economics and finance TV shows to give his opinion about the inflation rate. I feel that was a big change.”*

- Tacit support of some authorities:

*“There was a character within the government, the former Secretary of Commerce ... [he is] a pro-labour person, and ... no doubt, thought that informality was not a problem. Why? Because he would argue that the most important thing was having a job, and well, we will see that in the future, when we will grow, and develop, and strengthen, we are going to improve ... thus, La Salada in his vision was not bad ... Moreno would in fact support “changanines” and all that type of precarious forms of labour.”*

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### **Manoeuvring institutional arrangements**

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- Donations to political campaigns:

*“I think the government doesn't really do anything because this is an issue of having a source of income (with La Salada). It's money which can be used in political campaigns, to support local politicians who also give some support to La Salada, that is for sure.”*

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- Interpreting the political battlefield:

*“First, we built our own corporate narrative. But above all, it was to understand the power struggle. For example, CAME [textile industry association] is a big power which is fighting against La Salada because it has conflicting interests. To identify the rival stakeholders, to read the battlefield, and to operate in that battlefield, we go to the media, and let people come visit us and develop specific actions. To hold the narrative, above all. The issue of the value chain, our employment generation compared to the formal textile sector, the causes of inflation and high consumer prices ... to generate visibility.”*

- Efficiency in organising bribes:

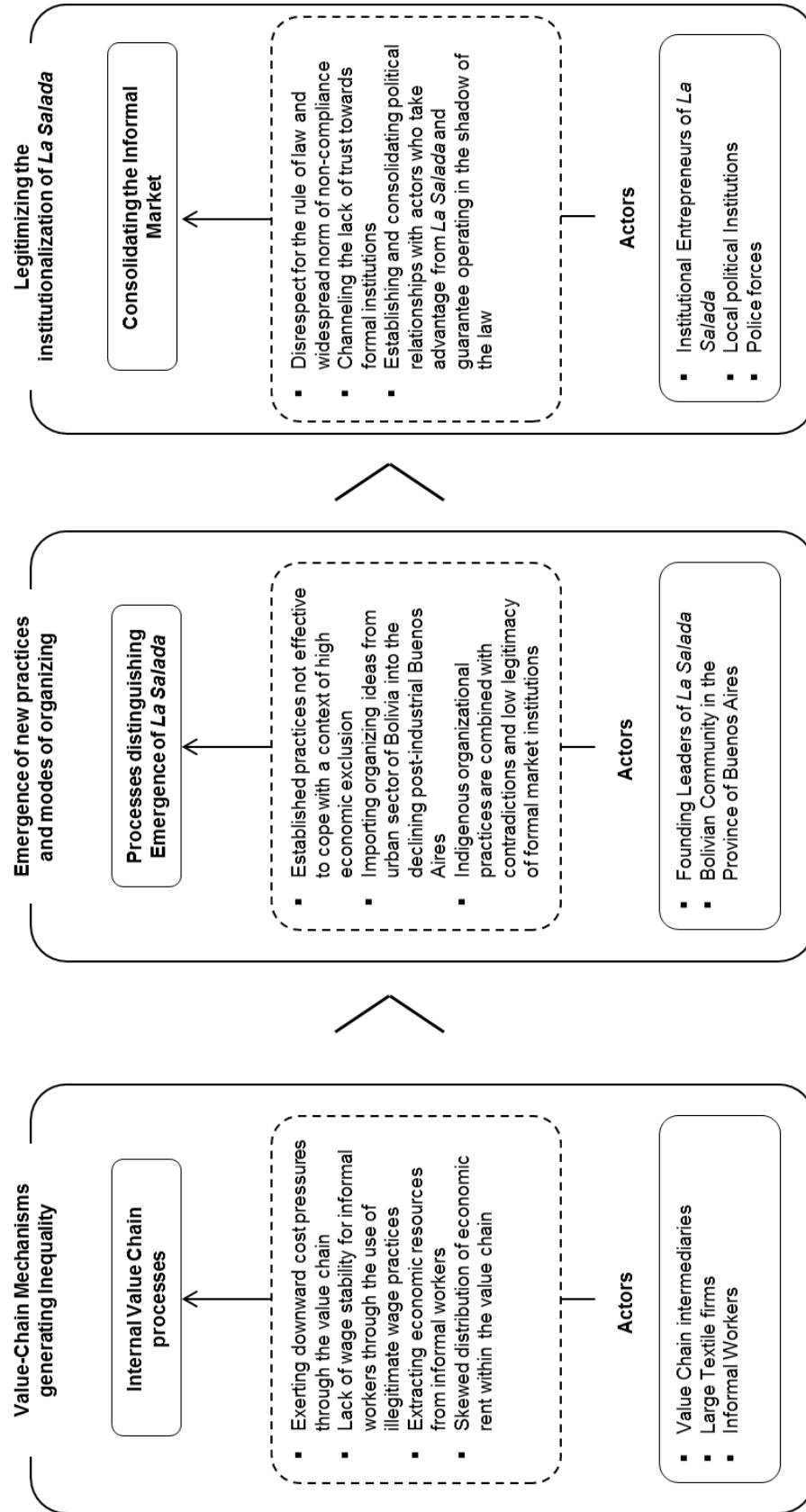
*“The leaders of one of the ferias remember having made weekly payments at least to the regional police of Avellaneda and Lanus, and that they also had someone in the jurisdiction of Lomas de Zamora; to the police station of Puente La Noria and at the police station just next to La Salada, so that they would let clients enter the market safely ... I also remember there was a civil servant within the local council who would also take money.”*

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Source: Author’s elaboration.

Figure 10 on the next page provides the key dynamics that emerged from my data and that will be discussed in depth in the following section. The first column on the left explains the basic value-chain mechanisms generating and exacerbating inequality. It shows how intermediaries and large textile firms would use these downward cost pressures to generate more wage instability and a more unequal distribution of profits along the value chain. The second column highlights the emergence phase of La Salada as a market, showing the initial bricolage of importing ideas and practices from a different domain into a new field. The third column indicates the final stage where institutional entrepreneurs, through mechanisms that are explained in detail in the following section, are capable of institutionalising this informal market by taking advantage of the low legitimacy of formal institutions and by building ties with the political sphere.

**Figure 10**  
Key dynamics to the institutionalisation of La Salada



Source: Author's elaboration.

The following section explains in detail the mechanisms that emerged from my data analysis.

### 3.5.1 Mechanisms for institutional change

In this section, I explain in detail each of the three mechanisms I have identified. These are: unintentional bricolage; triggering subversion framings; and crafting political opportunity.

#### *Bricolage mechanism*

With the term bricolage, we refer to the incremental blending and re-blending of different customs and institutions belonging to different domains. In the case of the Bolivian immigrants who started La Salada, around 1987-88 they were facing hard times. They were losing their jobs and facing unfair wage and labour practices. Given the rising economic exclusion they were experiencing, these immigrants took the bold decision to mobilise the few resources they still had at their disposal to organise market activities on the street. They would do so in precarious areas of the Province of Buenos Aires, relying on their past experience and knowledge of organising informal economic activities in Bolivia.

- Drawing on indigenous customs

*“The market would start every Monday at 2am, until night. It was mostly wholesale at night and retail sales during the day. It would extend 24 hours because people would eventually have spontaneous social meetings at the end of the working day; we would remain all together to have a drink and eat together.”*

Typically, the Bolivian immigrants would take advantage of working with other Bolivians and use their time after work to maintain some of the traditions that are important for their community. These activities would include preparing Bolivian food and having typical drinks. In a context where they were facing a high degree of exclusion, re-creating these community ties in Argentina would be extremely beneficial for most of them, both in terms of business opportunities but above all to create and sustain the social net needed in a foreign country.

*“When they started to collect (through a Bolivian indigenous custom called pasanaku) money to formally buy the place, the place started to have its own name. Given the important religious devotion that*

*the Bolivian community had for the Madonna, the place took the name of the Virgin of Urkupiña, in honour of the Bolivian saint. That was the moment the fair stopped being a community of people that would need to move from one place to another.”*

Being an illegal immigrant in a foreign country reduces access to formal institutions, and in Argentina these are already weak. These Bolivians had no access to any type of service or legal rights, including accessing funding for their business activities. Consequently, they would rely on indigenous customs such as the *pasanaku*, a collective and solidarity-based economic agreement in which members of a given group or community help each other out in accessing economic resources. Leveraging such a powerful indigenous institution in a foreign country has contributed to the community’s economic growth and consolidation within the market and allowed them to access finance without dealing with formal financial institutions. It also validated the functioning of indigenous institutions in Argentina. Once these informal entrepreneurs started their activity, however, they still felt a lack of stability. The main reason for this was the lack of a stable physical location for their market.

- Consolidating commercial infrastructure

*“Everything was very precarious at the beginning; this was not the place for everyone, an easy place with comfort. There were not even roads at the beginning, but there was a lot of demand of people who wanted to buy products from us here. Quite quickly the place achieved some sort of reputation, people would talk to other people and so every Monday they would come because it was a great commercial spot to sell products quickly.”*

The process of building a physical place in Ingeniero Budge, on the south bank of the Matanza River, was enormously important, but did not happen overnight. The ownership of a piece of land did not mean access to decent infrastructure. Nevertheless, having a stable place for their activity proved to be key for their commercial rise and success. Finally, potential customers could identify a specific place where the Bolivians could always be reached. This stability would allow them to keep growing. For this community of workers and entrepreneurs this represented a big step forward because they finally stopped being nomadic.

*“One day Quique Antequera mentioned that someone offered him a space (land) in Lomas de Zamora with a structure they could use for*

*the stalls. ... He said the place is huge, it is a good price and they already spoke to the local politicians to make sure there would not be any problem with us staying there.”*

The informant here highlights the unintentional element of this initial process of emergence. There was little formal planning; rather, it was a spontaneous act of going there and trying to stabilise their informal economic activity.

*“I was the owner of a sweatshop, I just became an independent owner of the sweatshop, and a Korean customer did not want to pay me for my work because he said the quality was not up to the standard he had in mind. Thus, I went to the area of Puente 12 [bridge across the Matanza next to where La Salada’s location emerged] and I started to sell everything I had left. In half hour I sold everything I had with me. After that, I felt very happy, and I remained there eating something with my Bolivian fellows. After that I came back every week.”*

The informant’s description captures the spontaneity with which the localisation in Ingeniero Budge emerged and is also suggestive of how important the commercial dimension of La Salada was and the development in terms of providing a better infrastructure. Those who had previously worked in, or owned, sweatshops decided to open retail stalls at La Salada as well. They did so because of the tremendous advantages the site afforded them, and which had been closed to them before.

- Providing organising anchors

*“At the beginning this fair was not profitable. Customers and also sellers (entrepreneurs) would use this as a meeting point: they would come to La Salada, because it was a place to meet fellow Bolivians. However, buyers (customers) started to come more and more, once Gonzalo (Rojas) had the idea to give away a car for every opening day of the fair. By the end of 1993, Urkupiña would have up to 20,000 visitors per week. The managers would gather at the end of the day, and would count the money for the royalties to be paid”*

Here we see the importance of introducing some core organising principles that have been important to explain the economic rise of the market. Initially, many would go there out of

curiosity, to see what it was or who was there. But eventually it consolidated through the organising work of the key institutional entrepreneurs of the market. Bolivian immigrant Gonzalo Rojas Paz was the institutional entrepreneur who introduced the initial organising anchors which are still in place today. Furthermore, institutional entrepreneurs organised an effective scheme to bribe both the police and local council. This organisational innovation would again strengthen the stability of the market, avoiding inconvenient and time-consuming negotiations.

*“In fact, Urkupina was formally and legally created on November 9<sup>th</sup>, 1992, before the notary Osvaldo Emilio Casalia. The organisation was presented in the IGJ (legal office in Argentina) on December 21<sup>st</sup>, 1992 and was registered under the number 12,519, book 112, volume A of Sociedades Anonimas”*

#### *Subversion Framings Mechanism*

The term subversion comes from the Latin term *subvertere*, meaning to overthrow, and “often refers to processes by which the values, principles and/or rules of an existing government system or political regime are undermined” (Olson, 2016, p.39). But subversive framing actions take place in a given institutional context by interacting with rules, norms and practices. Thus, when we apply subversion to institutional theory, it is understood in a broad sense and not as subversion in other fields such as political science, where it refers to subverting a political regime (Olson, 2016).

- Exploiting contradictions

*“There was this international study saying ... for example, Rome, Tokyo, New York, Berlin, cost of healthcare 150% more expensive than in Argentina, transportation, 150% more expensive, clothes 50% cheaper... clothes! Here in Argentina, this t-shirt in Cabildo Avenue costs 700\$Arg, and at La Salada may cost you 30\$! The majority of the shops that you find in Cabildo Avenue buy from La Salada as well.”*

Here, the informant highlights the contradictions within the formal value chain practices by pointing out the enormous price differences and the practice of formal shops buying from La Salada or from sweatshops. This makes it attractive for the institutional entrepreneurs of La Salada to frame their activity as subversive, a form of resistance to the high economic

inequality within the value chain – a message that has great resonance for the portion of the population that buys there or works in the informal sector.

*“To exploit these paradoxes, these contradictions towards society, towards consumers, towards the government and again, political actions, clearly. Basically, to point out the paradox [inconsistency] of the visibility and transparency of prices, and our response to a massive injustice in the value chain.”*

In interviews, institutional entrepreneurs at La Salada like the one speaking here emphasised the contradictions behind the formal price structure of the industry, pointing out the paradoxes and inconsistencies of the value chain practices and the very low transparency of consumer prices. By doing so, they very effectively visualise the economic injustices in the formal-sector value chain. In an institutional context such as Argentina, this has proved to be a persuasive argument aimed at consumers and society at large.

*“CAME [textile industry association] has one enemy: La Salada. What does that mean? Consider a formal, mainstream shop in Cabildo Avenue. Those manufacturing a t-shirt [in a sweatshop] sell it at 30\$Arg to sell it either at La Salada or in another place. Thus, if that t-shirt is sold at La Salada the same t-shirt will cost 30\$Arg. Otherwise, an intermediary can buy and re-sell it at 60\$Arg. This intermediary will sell it to the final shop at 120\$Arg. Finally, the shop will price it to the public at 240\$Arg. So, what’s the issue with CAME? Their associates [members] can keep pricing at 240\$Arg, but there is this one guy (La Salada) who is cutting down these big earnings they have.”*

The informal merchant speaking here is explaining the typical structure functioning within the formal economy. Showing how prices increase through the value chain opens up the debate to consideration of inefficiencies of the formal economy in Argentina.

- Rejecting formal-sector value chain practices

Institutional entrepreneurs at La Salada were capable of substantially challenging the legitimacy of formal-sector value chain practices by questioning the social acceptance of such practices. By doing so, they would undermine the economic fundamentals of the formal value chain, that is, a system that would allow a few to capture most of the rent within the chain.

These practices and their lack of legitimacy provided opportunities for successful subversion framing of these entrepreneurs.

*“What happened is that La Salada did not have legitimacy initially, La Salada came to normalise. ... Here what happened was that the Bolivians assumed the role of giving sustainability to this model. This means that this new system must be better structurally, so improving it. And it has improved, first of all in terms of prices. That is indisputable. Something that was worth, I don’t know, 200\$Arg, now is worth 40\$Arg. Now, 800\$Arg a t-shirt is an illegitimate system. Do you know why? Because what gives it value is the judging, that is to say, if I use this t-shirt it is a brand original, [but] if a street kid is using it, it is a fake. If a rich person is wearing it, it is original, and if it is a poor one, it is stolen or fake. In reality, that is illegitimate. Because that t-shirt is worth 40\$Arg in any scenario. Just 40\$Arg. Thus, La Salada put an end to the [economic] unsustainability of the previous system.”*

The institutional entrepreneurs of La Salada made an effort to undermine the credibility of the formal-sector value chain model, suggesting that it lacked sustainability in the long run. They would point out the contradiction between such codes and practices and the system of production.

*“The system is not sustainable because people cannot buy things, because those who are manufacturing these products cannot afford to buy them, because these people [used to] have very low salaries and those things cost a lot of money here. If this cost 700\$Arg, those people who are making it just cannot afford it. That makes it not justifiable. ... Secondly it cannot work because if people have to pay so much for this, they are going to buy it once only.”*

This informant points out how the average customer in Argentina cannot afford to buy apparel in the formal system, suggesting the lack of sustainability of such practices and, by implication, the social legitimacy of La Salada’s alternative approach.

- Channeling the illegitimacy of formal institutions

Institutional entrepreneurs at La Salada have been able to use the illegitimacy of the formal institutions, by leveraging the widespread lack of trust towards formal institutions, the lack of access to consumption of a large mass of people and separating the notion of legality from the concept of legitimacy.

*“Well, [La Salada] has gained so much legitimacy because the ordinary people feel that the origin of legitimacy in this case comes from the popular will. The popular will is the heart of that core notion of legitimacy. ... Consumption by thousands of thousands of people is the source of legitimacy of a business activity. The increase of consumption has generated also a rise in the supply”.*

*“There is an issue with the role of the state and the taxes that are not coming back to citizens [as services]. So culturally, this erodes, let’s say, the idea of social condemnation of informality, and in fact reality moves away from the formal idea of fiscal pact that every society should have in order to be organised. Here during the crisis of 2001, we came to have up to 18 “quasi-currencies” and that was simply a painted piece of paper that had no legal value apart from being a product of a social convention. Thus, people believing it [gave it] an economic, monetary value, an exchange value. And what really gave you exchange value? Reality. And something similar happens with La Salada, that is, well, that has to do with the absence of the state. In other words, people are conquering mechanisms or moving towards non-institutional mechanisms when they do not feel expressed by formal institutional mechanisms.”*

The informant emphasises that the lack of state legitimacy erodes the social disapproval of informality. The absence of the state (except as an extractor of rents in the form of bribes) forces people to generate new, informal institutional mechanisms because formal institutions are not capable of providing basic infrastructure and services. The informant also refers to previous cases in Argentina where social conventions have produced alternative or parallel institutions.

*Crafting a Political Opportunity Mechanism*

Campbell (2005, p.44) defines the environmental mechanism of political opportunity structures as “a set of formal and informal political conditions that encourage, discourage, channel, and otherwise affect movement activity”, adding that “political opportunity structures are said to constrain the range of options available to movements as well as to trigger movement activity in the first place.” Important components within this mechanism include the degree to which political institutions are open or closed to challengers, and the extent to which the movement’s entrepreneurs have allies within the political elite. One example of this mechanism is the creation of a public voice for the informal sector.

- Creating a public voice for the informal sector

The deterioration of formal macro-institutions means that formal actors lack capabilities and legitimacy to fulfil their nominal obligations. The weakness of formal macro-institutions allowed the informal sector to grow.

*“In a moment of time where politics and the state could not be there, could not be present, you would start to see emerging mechanisms of surviving, such as the “barter clubs” or “informal markets”. From the public sector, we had very little we could do to minimise this, because we had to deal with much worse social and economic issues. As a consequence, La Salada grew immensely, and there was not any state body which could intervene, it was a quite unknown way of dealing with the crisis.”*

The informal merchant speaking here is a very important civil servant who would admit that the state did not have enough capabilities to face the phenomenon of the rising informality. The informant also suggests that La Salada contributed to emerging wider acceptance that informality was a legitimate means to dealing with economic crisis and creating jobs.

- Manoeuvring institutional arrangements

In our context, political opportunities are associated with political institutions that are open to the actions of institutional entrepreneurs who would seek institutional change and in order to do so they would rely on the “openness” of local political elites (Dobbin, 1994).

*“We [were not allowed by the local council to] overlap the opening days of the ferias. Ours was Monday, Ocean’s Thursday, later Punta*

*Mogotes should have been another day. So, he went, put the money down, and he said the time in front of all the members of the city council of Lomas de Zamora ... and he said: 'I put it, I have put the money down, I did put the money down, and changed the law for La Salada', and from that moment they [the council] stopped imposing the opening days."*

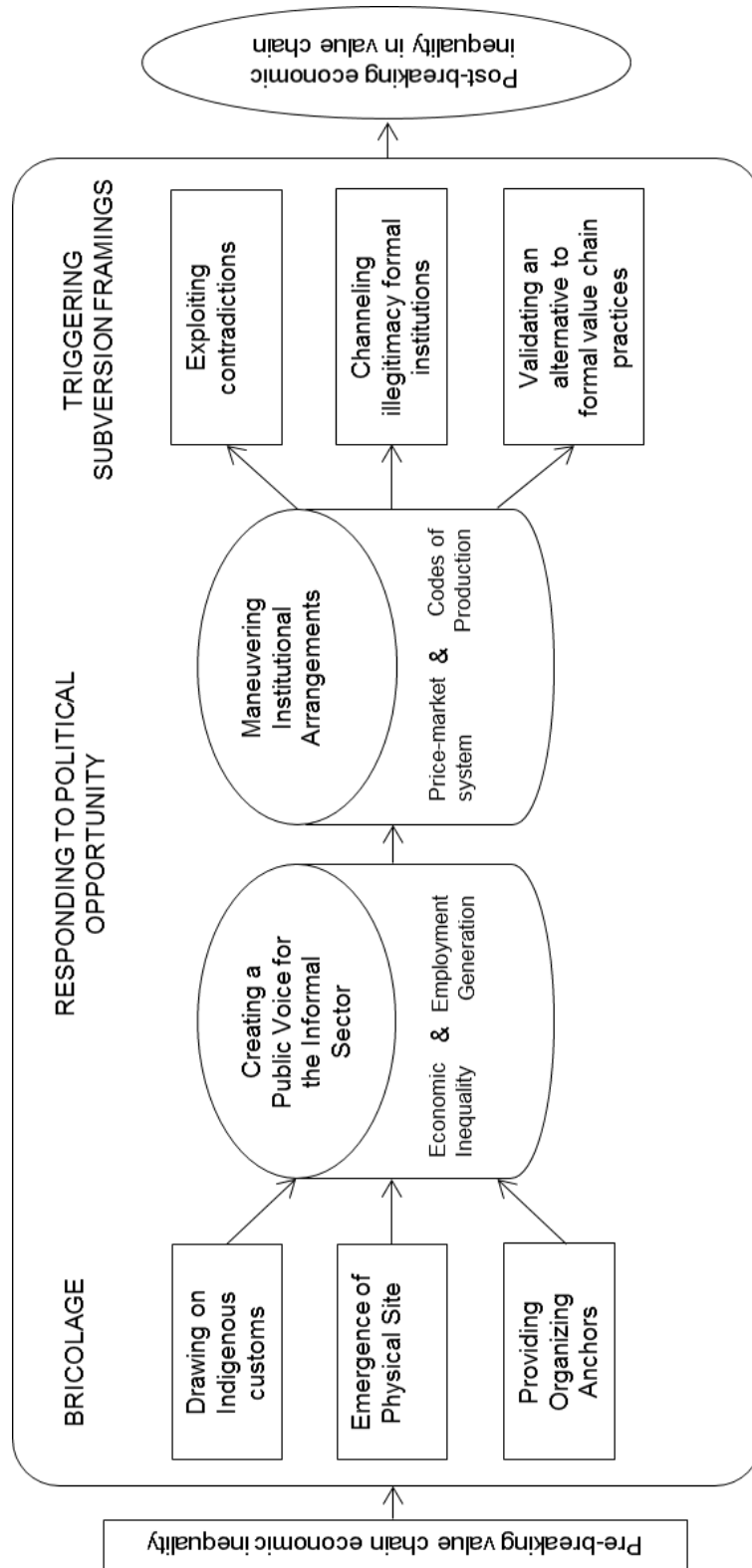
This informal merchant is an important member of La Salada who candidly explained how local political institutions were open to the development of these new organisational forms in the informal sector, and how the institutional arrangement to activate this was a scheme of bribery. Thus, political opportunity structures simultaneously motivate actors to seek change and constrain the strategic options available to them to establish new institutional arrangements.

### **3.6 Discussion: theorising the breaking of inequality in the value chain**

Davis and Marquis (2005) discuss the importance in the field of organisation theory of mechanism-based theorising. Social mechanisms are “sometimes-true theories” (Coleman, 1964, p.516). Mechanisms describe “a set of interacting parts – an assembly of elements producing an effect not inherent in any one of them” (Hernes, 1998, p.74). Thus, through mechanism-based theorising we can aim to explain in great detail a given social phenomenon.

The model laid out in Fig. 11 is based on the empirical data presented above. The three main dimensions of the model are: (1) bricolage, (2) the triggering of subversive framings, and (3) the responses to political opportunity structures. To fully understand how these aggregate dimensions and their themes emerged we need to understand the conditions of emergence of La Salada by explaining the three phases of emergence of the three mechanisms.

**Figure 11**  
Model of institutional change breaking economic inequality



Source: Author's elaboration.

As suggested by Rao and Giorgi (2006) based on Crawford and Ostrom (1995), the lack of clarity in the definition of group boundaries, poorly defined rules, unclear membership status and lack of enforcement all create the conditions for a code-breaking action, thus for institutional change. The ambiguous rules of the apparel value chain in the late 1980s and early 1990s in Argentina meant that the majority of the workers within the chain were open to experiment with new arrangements. While the sweatshops working within the mainstream apparel value chain competed to offer the lowest prices and delivery times of goods to textile firms, with the high risk of not receiving any income for their work, the institutional entrepreneurs of La Salada provided a new mode of producing and above all commercialising apparel goods by by-passing the intermediaries. The contradictions within the value chain, based on the extremely precarious and unstable wage conditions of workers in sweatshops, contributed to trigger the process of institutional change. The sweatshop's workers could now become entrepreneurs able to directly reach customers. They would not be dependent anymore on the precarious conditions established by a few companies and intermediaries but could instead trade virtually anytime. They could also decide to both wholesale and retail. That represented a fundamental institutional innovation for the thousands of workers from sweatshops who previously could only dream of doing so. Thus, the informal entrepreneurs from within the apparel value chain in Argentina deployed an existing cultural code in order to push forward their institutional project. I suggest that these institutional entrepreneurs embedded in informality were able to undermine the existing code of the apparel value chain, based on very precarious wage conditions and speculation of workers' needs, generating institutional change. The success of their framing activities produced La Salada, where thousands of workers and micro-entrepreneurs would now be able to work and survive without struggle as they used in the previous code of the apparel value chain.

Rao and Giorgi (2006, p.274) state that "the more ambiguous a code or logic, the greater the political opportunity and the more likely subversive framing to be accepted". In our context, subversion means that the institutional entrepreneurs have exploited the illegitimacy of an existing code to promote substantial institutional innovation. The ambiguity resulting from the well-known contradictions of the wage practices in the formal value chain impaired the commitment of the members of the relevant institutional field (i.e. the workers and customers of the Argentine clothing and textile industry) to the status quo. By using subversive framing, the institutional entrepreneurs of La Salada employed a discursive strategy that allowed them to shift the focus of attention from the illegality of their actions to the social legitimacy of their practices. This framing has been critical to the success of the new institutional project.

In many respects, my analysis of how La Salada entrepreneurs responded to the economic inequality of the apparel value chain in Argentina is consistent with existing work on institutional entrepreneurship looking at how peripheral actors initiate institutional change (Garud, Hardy and Maguire, 2007; Hardy and Maguire, 2008). The apparel industry as an institutional field was relatively institutionalised but in crisis (given the structural changes that were happening to the industry) towards the end of the 1980s. Here I have made two contributions. The first one is to the field of social movement theory and institutional theory. I take up the call of Schneiberg and Lounsbury (2008) to better capture structural dimensions through studying the intersection of institutional entrepreneurship and social movement theory. The study brings politics and political opportunity into the explanatory model, and explains the three mechanisms to generate institutional change. Secondly, the study shows how a group of disenfranchised actors embedded in the informal economy is capable of organising and provoking institutional change. While the informal economy has been a subject of study in various social sciences for years, management scholars have neglected the study of organisations operating within the informal economy (Webb et al., 2009; Khavul, Bruton, and Wood, 2009; Godfrey, 2011; Bruton, Ireland, and Ketchen, 2012; McGahan, 2013).

This study began by asking the question: how do institutional entrepreneurs exploit the illegitimacy of formal wage practices to generate institutional change? My theorisation of institutional entrepreneurship in an extreme context, embedded in informality, responds to the call of McGahan (2012) to study institutional entrepreneurship in the field of the informal economy. The case of La Salada provides two important insights which constitute this study's contributions. First, La Salada's entrepreneurs deployed the mechanism of bricolage to survive. Wage practices in the formal value chain pushed them to seek alternatives to generate income. That circumstance led Bolivian immigrants to re-combine elements of their indigenous culture with local conditions and practices (both political and economic) to configure and organise a set of new institutions that enabled unemployed clothing and textile workers to regain their ability to earn a living. By eliminating the intermediaries, creating a secure environment, and reducing the operating costs of maintaining a retail outlet they even opened up the possibility of capturing more of the value added by production, creating an opportunity for accumulation and growth.

This first contribution includes an explanation of the role of the political opportunity structure. The political opportunity structure is important in the field of SMT and organisation theory, in which it is defined as "a set of formal and informal political conditions that encourage, discourage, channel, and otherwise affect movement activity" (Campbell, 2005, p.44). The

entrepreneurs of La Salada found ways to respond to political opportunity by first taking advantage of the ambiguity of the government attitude towards them as “informal economy” entrepreneurs. Despite their “illegal” status, they have even joined official government delegations on international visits to other countries. They were able to channel general discontent with formal institutions by demonstrating how an informal institution could gain more legitimacy by allowing low-income people to consume more cheaply and by creating a different notion of legitimacy, separated from the idea of legality. Their support of political campaigns was used to build alliances underlying the tacit arrangements that made La Salada a secure environment for both vendors and customers. Finally, they successfully deployed some existing practices (working and producing in informal sweatshops) to promote radical institutional innovation (the creation of an informal market where the intermediaries of the value chain disappear, benefiting both producer and consumer). In this study, the formal-sector practices became illegitimate because it was neither socially acceptable nor sustainable for the Bolivians to continue working without receiving a salary. The determinants of illegitimacy are those events that highlight the mismatch between institutional norms and public sentiments (Davis, 1939). In the value chain context, illegitimate wage practices “range from employing undeclared workers, through outsourcing production to the bogus self-employed, to under-reporting the wages of their formal employees” (Williams and Horodnic, 2015, p.204). Mahoney and Thelen (2010) suggest that subversion arises more easily in contexts with dominant actors and where there is little space for rule interpretation. In our case, political opportunity structure becomes important not in the emergence phase, but immediately after, when the market needs to find ways to stabilise. Institutional entrepreneurs are wise in capturing the political opportunity available and leveraging subversion framings to take advantage of the ambiguity of the formal market rules. The second contribution refers more to how informal entrepreneurs mitigate the effects of economic inequality. The study contributes to the emerging scholarship on inequality, institutions and organisations (Amis, Munir and Mair, 2017; Leana et al., 2012; Mair et al., 2012; Riaz, 2015; Bapuji, 2015; George, McGahan and Prahbu, 2012). Particularly as stated by Marti and Mair (2009, p.98), “there is a need to unpack the institutional forces that make policies so persistent and to understand how to act upon them ... studying how the wide array of legacy institutions, traditions, myths and customary practices that underlie policy were reproduced and maintained, and by whom, is of utmost importance”. The authors refer to them as the micro-foundations of inequality. In this study, I have referred to the wage practices in the formal value chain and explained how they characterise the whole field and how they have been institutionalised over time. Nevertheless, the study also documents how these formal labour institutions, permeated by micro-practices

exacerbating inequality, became illegitimate in the eyes of Bolivian workers. Thus, institutional entrepreneurs in the informal economy created new mechanisms that manipulated such established structures. Theorising these three mechanisms – bricolage, subversion, and political opportunity structures – follows up on calls by Barley (2008) and Powell and Colyvas (2008) for understanding how these practices change and are reproduced.

I also bring back value chain institutions into institutional theory, following Mohan (2015), who suggests that institutional analysis should focus on value chain institutions, usually structured around written rules, with formal sanctions and methods of enforceability. In the context of the study, these wage practices within the value chain proved to be illegitimate since the processes behind them are inconsistent with the social norms and values of large social groups in the lower income strata. The study outlines the emergence of informal labour practices that eventually sustain the larger institutional innovation which is the formation of this alternative market-place.

The most powerful insight of the integration of SMT into institutional analysis is to provide a more compelling view of processes, actors and structures of the field and to explain how institutional change happens. These theoretical tools add a new repertoire to theorise how, for example, legitimation happens, or how incumbents articulate their actions, thus adding to a more dynamic understanding of fields.

### **3.7 Conclusion**

From a contextual perspective, this study builds upon previous critical work in the context of political and economic issues in sweatshops and production networks (Levy, 2008). Furthermore, it follows the call for the development of theories to understand inequality in the Global South. The GVCs context allowed precise examination of an institutional field characterised by inequality and informality (Guidetti, Rehbein, 2014). Bruton et al. (2012) argue that the informal economy is the final frontier of management research. Godfrey (2011, p.233) states that “informal economic activity represents a significant new frontier for management scholarship and investigation...those at the base of the economic pyramid or emerging markets operate in systems where informal economic activity predominates and research in these contexts stands as a vital new context for research and theorizing”.

This call deserves to be taken seriously and this empirical study represents a substantial contribution to the field of management and organisation theory by looking at one of largest and most sophisticated informal black markets worldwide. The study represents the gateway

for finally gaining a finer understanding of how entrepreneurs act within the informal sector, interact with formal institutions and create new informal institutions. The existence and consolidation of inequality is dependent upon the institutions that govern our society (Amis, Munir and Mair, 2017). The inter-organisational linkages and the diffused practices that characterise the apparel value chain contributed to growing economic inequality by appropriating larger shares of the growing value added, thus creating further wealth disparities. Thus, this study fills an important gap in this field by explaining micro-processes that transformed the practices of an established institutional field. This study also has important practical implications, particularly for policy makers in emerging economies. It suggests that fighting against informality is hard when formal institutions are considered illegitimate. In such cases, informal rules and institutions provide a set of alternative governance mechanisms to substitute formal ones. Consequently, policy makers should focus first on investing resources in re-building key formal institutions capable of socially legitimate function. That would represent a serious effort to minimise informality. Secondly, from an entrepreneurship point of view, this study also highlights some interesting mechanisms that entrepreneurs can rely on regardless of being formal or informal. In an institutional context like Argentina, understanding how to capture political opportunity for business represents a substantive skill and we can gain insights from the entrepreneurs of La Salada. The subversion mechanism deployed by these institutional entrepreneurs has similarities with what, for example, Ferran Adria did with his venture El Bulli; that represented a successful case of taking an opportunity to dismantle a current code (the nouvelle cuisine) and to develop a conceptual type of cuisine.

### **3.7.1 Limitations and future research**

Like every empirical study, this work conceptualising institutional entrepreneurs' work to exploit illegitimate formal institutions is not free of limitations. Among them, timing is certainly one. The study covers the actions of informal entrepreneurs since the emergence of La Salada and had to rely on retrospective data about what happened in the past. Nevertheless, to minimise the impact of this I followed Lincoln and Guba (1985), interviewing multiple informants on the same issues, as well as extensively triangulating with other data sources (including books and policy documents). While this case is an extremely rich one, it is still a single case study and I acknowledge certain limitations in having broad generalisations. Focusing on one type of organisation may limit the transferability of the findings. Nevertheless, the nature and scope of La Salada suggests that the findings presented here are

applicable to many similar large informal market places in emerging economies where workers and entrepreneurs face similar constraints.

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## **Chapter 4**

### **Second Study**

Hybrid Organisation in the Informal Economy:  
Emergence of Multiple Institutional Logics and  
Normalisation of Deviant Organisational  
Practices

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**Key words:**

Institutional logics; Hybrid organisation; Informal economy; Normalisation deviance.

*“Sometimes you have to use violence in order to protect your business and the jobs ... The guy that used to be the boss of the gang in charge of La Ribera was killed. Seven days ago, his brother. Today during the shooting, another two were killed. But we don’t know for sure because the bodies were not there. The shooting happened only a hundred metres from the police station; how come they haven’t heard the noise? No one came.”*

*(Entrepreneur from La Salada)*

## **4.1 Introduction**

Returning to South America’s largest black market, La Salada in Buenos Aires, Argentina, this study investigates a new form of hybrid organisation (organisations that combine institutional logics in unprecedented ways) emerging in the informal economy. Particularly it looks at how informal entrepreneurs organisationally respond to institutional complexity by identifying two types of logics (community and market) as well as a meta-mechanism that I define as deviance normalisation (Vaughan, 1999; Earle, Spicer, and Sabrianova Peter, 2010), which together allow them to provide stability to the market. I draw on a four-month ethnographic study of La Salada. The study shows the generative mechanisms, translation, incorporation, and detachment of the two institutional logics (Friedland and Alford, 1991; Thornton et al., 2012) and the normalisation of the deviant practices mechanism that I identified. Furthermore, it shows how actors in the informal economy are able to dynamically adapt to these logics and how they exploit institutional arbitrage (Hall and Soskice, 2001); that is, the circumstances under which entrepreneurs are able to exploit differences between two sectors of the institutional environment, formality and informality. The research question underlying this study is: how do different (contradictory) institutional logics emerge within a hybrid organisational form embedded in the informal economy?

Hybrid forms of organisations are present in contexts such as the informal economy. A survey by Jensen, Sutter and Mealey (2011) found that there are over 92 identifiable forms of hybrid organisations in markets whose main feature is informality. In the past, research has looked at some types of hybrid organisations such as micro-franchising, but we still lack deep conceptual work and clearer and stronger empirical data to improve our understanding of hybrid

organisations in the informal economy (Godfrey and Jensen, 2016). Scholars have emphasised how the informal economy represents a new frontier of research for management and organisation scholars (McGahan, 2013); studying South America's largest black market thus represents a unique opportunity to provide insights for new theory development. Furthermore, there has been a call for more research to examine contexts other than North America (Greenwood, Diaz, Li & Lorente, 2010; Scott, 2005) in order to generate comparisons and to see to what extent there is homogeneity between different institutional contexts.

It has been pointed out that to theoretically advance in the field of institutional logics, "future research needs to move beyond implicit assumptions and to engage explicit discussion of the underlying theoretical mechanisms, that is, the clear identification of the 'gears and ball bearings behind the statistical models (Davis and Marquis, 2005)'" (Thornton and Ocasio, 2008, p.120). As noted in the seminal work of Battilana and Lee (2014) introducing the concept of hybrid organising, defined as "the activities, structures, processes, and meanings by which organizations make sense of and combine multiple organizational forms" (p.397), more research is needed, particularly looking at other fields than social enterprises and the typical mainstream context (Greenwood et al., 2011). La Salada again represents a promising opportunity to advance theorisation. Moreover, Johnson and Powell (2015) noticed the lack of theorisation across the social sciences that addresses the emergence of novelty, especially involving new categories of people and organisations. In this study of La Salada, I examine the bottom-up processes by which diverse components (indigenous, market and crime institutions) become interactively established; that is, how re-purposed practices resonate back into a different domain from the one for which they were originally designed. In so doing they become the source of two different logics and an innovative meta-mechanism.

This study has profound implications both for institutional theory as well as for the literature on entrepreneurship in the informal economy. I make two substantial contributions. Firstly, I highlight a new type of meta-mechanism which characterises this form of hybridity in the informal economy and integrate the two main logics into a theoretical model that explains how actors are able to co-exist with contradictory logics as well as how institutional complexity can incorporate and institutionalise a set of illegal practices. Secondly, I show how informal entrepreneurs strategically exercise institutional arbitrage by shifting particular activities to the formal economy in order to secure certain specific advantages of the institutional environment while leaving other activities within the informal economy. This suggests that informal entrepreneurs move some of their activities to the formal economy, not necessarily to comply with regulations but to secure effective access to institutional and government

support. Conversely, these entrepreneurs will maintain certain activities within the informal economy, and will do so strategically in order to, for example, minimise costs.

This paper is structured as follows: first I review the literature on institutional logics and on hybrid organisations and introduce the normalisation of deviant organisational practices. Next, I present the research context. I then explain the research methods and data analysis. Later, I present my findings, discuss them and finally draw conclusions.

## **4.2 Theoretical context**

### **4.2.1 Institutional logics and complexity**

From the early work of Selznick (1948; 1949; 1957) on institutional environments up to the later work of Meyer and Rowan (1977) on “the role of modernization in rationalizing taken-for-granted rules, leading to isomorphism in the formal structure of organizations” (Thornton and Ocasio, 2008, p.100), the study of institutions has been evolving and generating new approaches. DiMaggio and Powell (1983) built on Meyer and Rowan’s (1977) developments by focusing their analysis on the coercive, normative and mimetic source of isomorphism, which contributed to the development of empirical analysis (Thornton and Ocasio, 2008). Through the work of Friedland and Alford (1991), a distinct approach to institutional analysis was offered in which institutional logics became a defining concept with respect to the content and meaning of institutions. There is a shift from studying sources of institutional isomorphism towards understanding the different institutional logics and the interactional dynamics of individuals and organisations embedded in them (Thornton and Ocasio, 2008).

The concept was initially coined by Alford and Friedland (1985) to explain the contradictions within practices and beliefs found in institutions. The institutional logics approach highlights the inconsistencies of the rational-actor models derived from new institutional economics, where the key premise is the rationality behind individuals’ exchanges, the ultimate goal being the maximisation of utility. In this approach, instead, each institutional order possesses a core logic which provides individual actors with organising anchors and identities. Individuals and organisations can manoeuvre practices and symbols in their favour. Further, the authors conceive society as an inter-institutional order, which is significant in order to understand human behaviour within organisational settings. Jackall (1988, p.112) describes institutional logics as “the complicated, experientially constructed, and thereby contingent set of rules, premiums and sanctions” that humans create to make behaviour regularised and predictable. Thus, while Friedland and Alford (1991) focus more on the relationship between practices and

logics, Jackall's (1988) conceptualisation devotes more attention to the normative dimensions of institutions. Building on these central theorisations, Thornton and Ocasio (1999, p.804) define institutional logics as "the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organise time and space and provide meaning to their social reality". This explanation complements and integrates the approaches of Jackall and Friedland and Alford, assimilating the structural, symbolic and normative dimensions of institutions. Such an approach proposes that the three dimensions are necessary and complementary, and not separable as proposed by other scholars (Scott, 1995; 2000). Following Thornton and Ocasio (2008), all these definitions take for granted a meta-theory of institutional logics, which refers to the consideration of the broad social and institutional context, how it modifies behaviour and offers opportunities for change.

Other theoretical approaches highlight the role of culture in shaping individual and organisational actions and how logics are capable of spanning multiple levels of analysis, from the psychological to the organisational and societal (Fligstein, 1985; 1987; 1990; Boltanski and Thevenot, 1991). In the case of institutional logics, by contrast, the fundamental task is to understand the role of institutions and the processes of institutionalisation in shaping logics (Friedland and Alford, 1991; Jackall, 1988). Another distinctive element of the institutional logics approach is its understanding of both material and cultural factors that play crucial roles in shaping action, which incorporates both the symbolic and normative components of culture (Thornton and Ocasio, 2008, p.106).

Institutional logics can shape individual and organisational action in different ways (Thornton and Ocasio, 2008). Different mechanisms have been studied, including the collective identities of an institutionalised group (March and Olsen, 1989), contests for status and power (Jackall, 1988), social classification and categorisation (DiMaggio, 1997) and organisational attention (Ocasio, 1995; 1997). Furthermore, research has looked at forms of change in institutional logics: institutional entrepreneurs as actors provoking institutional change (DiMaggio, 1988; Maguire, Hardy and Lawrence, 2004); structural overlap, i.e., individual roles and organisational structures coming together (Thornton, 2004); event sequencing (Sewel, 1996); and competing logics (Marquis and Lounsbury, 2007). Following Thornton et al. (2012), all institutional logics may be operationalised and then compared through specific categories such as root metaphors, governance mechanism, source of legitimacy, authority, or economic system.

Historically, the market logic has attracted attention in many studies as a key tool for understanding institutionalisation processes in societies. Within market logic, sources of legitimacy come from the notion of share price: the basis of attention would come from position or status in the market, and the source of authority or power is shareholder status (Thornton et al., 2012). Lately, however, scholars have paid increasing attention to the notion of community logic, particularly to understand newer organisational phenomena such as social enterprises and other types of hybrid organisations. Based on extension of the work of Thornton (2004) and Friedland and Alford (1991) and the design of inter-institutional systems, the community logic provides a more solid understanding of relationships governed by common values, loyalty and reciprocity (Smets et al., 2015). Based on these assumptions, the ties within this logic are linked by trust and unity of intent (Thornton et al., 2012). Thus, rather than relying on pure self-interest, members of a group will act according to group rules that shape the bounds of, and norms for, individual behaviour, and establish mutual monitoring and enforcing practices (Smets et al., 2015; Ansari, Wijen and Gray, 2013). Marquis, Glynn and Davis (2007) highlighted the role of local communities in the field of institutions and organisations and suggested that they “embody local understandings, norms and rules that serve as touchstones for legitimating mental models upon which individuals and organisations draw to create common definitions of a situation” (p.927). For Thornton et al. (2012), the community is represented by the “territory”, and social action within it cannot be explained only by the pursuit of economic goals. The same authors suggest that while in early studies the role of communities was strongly emphasised to explain institutions and organisations (Selznick, 1949; Zald, 1970), more recently scholars have focused on the geographic demarcations of community (Marquis and Battilana, 2009). O’Mahony and Lakhani (2011) suggest that the concept of community has been used to look at individuals organising for collective actions outside the limits of a given organisation. They propose that communities may be relevant to understand a diverse range of organisational phenomena. The authors quote Clemens (2005, p.352), who suggests that “the imagery of centralized, rationalized bureaucracy is increasingly unable to capture the empirical world confronted by organizational analysts”.

As stated by Greenwood et al. (2011, p.318), “organizations face institutional complexity whenever they confront incompatible prescriptions from multiple institutional logics”. Thus, logics provide the basic institutional infrastructure for actors to play and interact, but when an organisation faces two or more sets of principles at play, institutional complexity emerges (Kraatz and Block, 2008). When the prescriptions of the different logics in play are not compatible, pressures emerge within the organisations (Greenwood et al., 2011). In the case

of market and community logics, authors have suggested that these logics may be incompatible, and the conflicts between them not easy to resolve (Smets et al., 2015). The key categories of each of these logics are not easy to reconcile; for example, logics based on share price and those based on trust and reciprocity may produce tensions between individual members of hybrid organisations. As explained by Smets et al. (2015), scholars have documented cases of organisations transitioning from community to market logic (Lounsbury, Ventresca and Hirsch, 2003), or successfully balancing the two logics (Lounsbury, 2007). Nevertheless, while there are cases that positively document the balancing processes between these two logics, we know very little about how mixed logics are balanced in organisations embedded in the informal economy.

#### **4.2.2 Hybrid organisations in the informal economy: normalisation of deviant organisational practices**

As stated by Bishop and Waring (2016, p.1938), “the institutional logics perspective considers how hybrid organisations are formed through the interaction, mediation and resolution of multiple institutional logics”. While there has been a recent increase in academic work on hybrid organisations, the literature is largely spread across multiple disciplines, appearing in a wide variety of sectors and contexts (Billis, 2010). But hybrid organisations can be both non-profit and for-profit types of firm; in fact, they might embrace the social and environmental goals of non-profits while still generating incomes typical of for-profits to meet their objectives, blurring the boundary between the two (Haigh and Hoffman, 2012). According to this approach, hybrid organisations do not fully represent one model or prototype or the other. Haigh and Hoffman (2012) highlight three fundamental features of hybrid organisations: driving positive social/environmental change; generating beneficial relationships with stakeholders; and market and constructive industry interaction. Following up on this, scholars have identified hybridity as the pursuit of both financial sustainability and social ends, identifying social enterprises as theoretical prototypes of hybrid organisations (Pache and Santos, 2012; Doherty, Haugh, Lyon, 2014). As the boundaries between the private, public and non-profit sectors often blur, new organisational forms emerge; this is why scholars have started to pay more attention to the understanding of different configurations of hybridity (Battilana, Lee, Walker & Dorsey, 2012; Billis, 2010; Greenwood and Suddaby, 2006). Within the organisation theory field, the notion of hybridity has been conceptualised by focusing on spanning institutional boundaries and multiple functional domains (Brandsen and Karré, 2011; Pache and Santos, 2010; Ruef, 2000).

Therefore, there are at least two sectoral paradigms that define hybrid organisational forms: these are logics and value systems (Doherty, Haugh, Lyon, 2014). In previous studies scholars have explained how individuals' identities within organisations are shaped by institutional logics (Battilana and Lee, 2014) and how different degrees of identification with multiple logics explain individuals' responses within organisations (Pache and Santos, 2013). Importantly, scholars have reached a consensus that, within hybrid organisations, institutional entrepreneurs combine established institutional logics in order to create new organisational forms, and that these logics may conflict with each other (Pache and Santos, 2013). Authors suggest that hybridity can take the form of a combination of multiple organisational identities (Pratt & Foreman, 2000); multiple organisational forms (Adler, 2001; Powell, 1990; Arellano-Gault, Demortain, Rouillard & Thoenig, 2013; Brandsen & Karré, 2011; Powell and Sandholtz, 2012); or multiple institutional logics (Besharov & Smith, 2014; Greenwood, Li and Lorente, 2010). Battilana and Lee (2014) suggest that research has shown evidence of how multiple logics are able to co-function within the same field (Seo & Creed, 2002; Thornton and Ocasio, 1999).

A critical challenge for scholars is to understand the way hybrid organisations manage tensions and combine multiple forms sustainably (Battilana and Lee, 2014). However, research on the emergence of new organisational forms has often focused on "mainstream" forms of hybrid organisations such as social enterprises (Tracey et al., 2011), but mostly ignored organisations that purposefully compete and operate within an illegal domain. In this study, the definition of informal economy I apply is the "set of illegal yet legitimate (to some large groups) activities through which actors recognize and exploit opportunities" (Webb et al., 2009). Following Battilana and Lee (2014, p.398) I use the concept of hybrid organising to help us understand how informal organisations, combining multiple organisational elements, are able to reconcile different logics. The process by which novel organisational forms (such as the hybrid) emerge and consolidate is a core question for management and organisational scholarship; however, organisational novelty is by definition complex to understand and conceptualise (O'Mahony and Ferraro, 2007). Within the realm of management and organisational research, just a handful of recent studies have looked at the emergence of novel or distinctive hybrid organisational forms (Battilana and Dorado, 2010; Pache and Santos, 2013; Battilana et al., 2015) and none have looked at hybrid organisations embedded in the informal economy. Although it has been acknowledged that a society's capacity to change is mainly driven by its diversity of organisational forms (Tracey et al., 2011), the question of how new hybrid organisations in the informal economy function, balancing different institutional logics, has

been largely absent from organisational and institutional theory (Godfrey et al., 2011; Bruton, Ireland and Ketchen, 2012). This study aims to address the gap.

While some authors have discussed micro-franchising as a form of hybrid organisation within the informal sector, few studies have looked in depth at governance phenomena in emerging economies (Nee, 1992) and within the informal sector and criminal world (Flynn, 2014). Scholars have called for more context-driven research about governance and informal hybrid organisations (Meagher, 2012) and in particular about how they function within the informal sector (Godfrey and Jensen, 2016). Bruton, Ireland and Ketchen (2012, p.4) have called for more research on these types of organisations within the informal economy, arguing that the institutional logics behind the creation of many informal organisations are yet to be examined, for example explaining their emergence as a reaction to taxation and other forms of regulation as a key economic aspect.

To explain the type of hybrid organisation that operates in the informal economy, I introduce the concept of normalisation of deviant organisational practices (Vaughan, 1999; Earle, Spicer and Sabrianova Peter, 2010). According to Vaughan (1999, p.273) deviant organisational practice refers to “an event, activity or circumstance, occurring in and/or produced by a formal organisation, that deviates from both formal design goals and normative standards or expectations, either in the fact of its occurrence or in its consequences”. Other studies have discussed organisational misconduct (MacLean, 2008), escalation of cases of corporate corruption within firms (Fleming and Zyglidopoulos, 2008), the role of organisational culture in promoting corruption (Campbell and Goritz, 2013), and the moral disengagement in processes of organisational corruption (Moore, 2008). For reasons that will hopefully become clear, the notion of normalisation of deviant organisational practices provide appropriate conceptual anchors to explain how a market embedded in informality such as La Salada can achieve stability between the two main logics.

The normalisation of deviant practices can be caused by a variety of reasons, such as lack of enforcement or weak governance (Li and Ng, 2013). Authors explain that different factors contribute to the emergence of organisational deviance, including poor ethics in decision making, too much weight given to economic dimensions, and the creation of circumstances conducive to immoral behaviour (Ashforth and Anand, 2003; Brief, Buttram and Dukerich, 2001). Deviant practices can become normalised because of community routines that allow these to become permanent. Thus, a practice initially considered as socially unacceptable can eventually be established and become normal (Ashforth and Anand, 2003). Once the practice

is accepted, it is kept in the organisational memory, and eventually learned and repeated (Li and Ng, 2013), transformed into a routine and embedded in a new culture.

Once deviance is allowed, actors within organisations can institutionalise the practice into corruption or corrupted behaviour that establishes norms. Scholars have identified three phases of normalisation: institutionalisation, rationalisation and socialisation (Ashforth and Anand, 2003): “institutionalization refers to the process by which initial deviant acts become embedded in organizational structures; rationalization to the process by which new ideologies develop to justify and perhaps even valorize deviance; and socialization to the process by which deviance becomes accepted as permissible if not desirable” (Earle, Spicer and Sabrianova Peter, 2010, p.5). With these reinforcing mechanisms, formal norms and normative expectations begin to disappear from the organisational landscape of practices. Also, other authors suggest that communities and not just organisations can construct alternative beliefs and normalise deviance (Misangyi et al., 2008). Furthermore, as explained by Pinto et al. (2008), the normalisation of these deviant practices is also followed by processes of reproduction, routinisation and amplification of them. Simply put, “the more that a practice becomes frequently performed within a field, then the more likely that other managers in the field will come to use the practice over time” (Earle, Spicer, and Sabrianova Peter, 2010, p.9). Certain normative and cognitive institutional forces contribute to the acceptance of deviant practices (Li and Ng, 2013). This means that a given organisation may perceive certain deviant practices as acceptable through normalisation. Other authors have also discussed the idea of rationalisation tactics or strategies, which allow individuals to see corrupted practices as somehow right or justifiable (Anand, Ashforth and Joshi, 2005). As Misangyi et al. (2008) state, the identities and categories of an institutional logic are reflected in their corrupt practices. Accordingly, I discuss the normalisation of deviant organisational practices within La Salada as a specific meta-mechanism that integrates the two core logics, community and market.

Given the great need for new conceptual development in the field of organisational corruption, there has been a call from scholars (Ashfort, Gioia, Robinson, Trevino, 2008) for new work that can highlight processes or mechanisms at organisational levels and shed light on this relevant phenomenon. Responding to this demand, this study contributes as well to the call for more rigour in how researchers look at misconduct within organisational settings (Greve, Palmer and Pozner, 2010).

### 4.3 Research context

La Salada is one of the largest informal markets in the world (Sassen, 2011). It has attracted the attention of media such as the *Financial Times* and *The Economist* as a phenomenon that is difficult to explain. The US Government has included La Salada on its list of notorious markets worldwide, which identifies marketplaces with large infringements of copyright laws. For more details on the research context the reader is invited to review the Research Context section included in Chapter Two of the dissertation.

To more effectively understand the context of this study, I briefly describe two logics (community and market) that are found within La Salada, as well as the process of normalisation of deviant organisational practices. Firstly, I look at the community logic, which represents the initial social fabric needed for the creation of La Salada. A core element within this logic is the ties between Bolivians, which are still important today, as they allow many Bolivians to expand and increase their presence within the market. This is part of the market's organisation memory. Secondly, I look at the market logic, which in the first instance introduces a rather rudimentary set of market principles. It soon becomes an established institutional logic and grows, allowing for the market expansion of La Salada. Market practices then become more sophisticated – new economic and institutional links are established to increase the economic relevance. Finally, I look at the normalisation of deviant organisational practices, which initially manifests itself through the payment of bribes but not in widely accepted organisational practices. Afterwards, violence appears within the market more noticeably, as deviant organisational practices are adopted and institutionalised by key members of the organisation.

La Salada, then, seems a complex hybrid organisational form that is not easy to fully describe. The anthropologist Geertz gave an interesting definition of the bazaar, where he found a variety of economic systems with distinctive characteristics that “center less around the processes that operate there than around the way those processes are shaped into a coherent form” (Geertz, 1979, p.124). Similarly, La Salada is a complex hybrid, characterised by different logics and different types of emergence of such logics.

### 4.4 Methods

In responding to the research question of how hybrid ways of organising function in the context of the informal economy and, specifically, how informal entrepreneurs manage tensions between different institutional logics, the study follows an inductive, qualitative, and grounded

theory approach (Glaser and Strauss, 1967). The ultimate goal of this study is to generate new theory. Qualitative methods are particularly suited for this research, as authors have stated that “the development of interpretive methods enriches the possibilities of the types of data and data-gathering methods available for researchers to examine the content and the meaning of institutions” (Thornton and Ocasio, 2008, p.109).

#### *Data collection*

The methods for this study include a four-month organisational ethnography of La Salada (Van Maanen, 1979). The project also includes a total number of 75 in-depth interviews and use of archival data. Given that the theoretical focus of this study is hybrid organisations and institutional logics, authors have suggested that relevant sources of data in this area should include “interviews, focus groups, archival documents and records, naturally occurring conversations, political speeches, newspapers articles, novels, stories, cartoons, and photographs” (Thornton and Ocasio, 2008, p.110), while methods of analysis may include “genealogy, ethnography, conversation analysis, content analysis, narrative analysis, critical discourse analysis, and rhetorical analysis that make use of a variety of texts, including spoken words, pictures, symbols, and cultural artefacts, among others” (Thornton and Ocasio, 2008, p.110). Regarding the unique nature of the context of this research, embedded in the informal sector, and the challenges that it entails in gathering solid and consistent quality data, other scholars have in the past faced similar settings; for example; the anthropologist Geertz (1979, p.123), who, in his early study of the bazaar, acknowledging the occasional lack of previous information on this type of market or extreme organisation, stated that “there are a few data-collection-type reports, usually brief, on this or that market; some discussion, usually general, on the role of the merchant class in this or that Islamic society”.

#### *Ethnographic fieldwork and observation*

I conducted a four-month ethnographic study during early 2015 in La Salada. Access was granted to me by two owners of the market as well as by gatekeepers who assisted my access. I immersed myself in the field in order to capture informants’ views of the world (Charmaz, 2006). I travelled to La Salada three times a week, usually from midnight until 4pm the following day. These unusual hours were due to the market’s opening times. Being mostly wholesale, the market attracts thousands of small informal entrepreneurs from all over South America and functions from midnight until 7 or 8am. During my visits, I would spend the entire eight hours doing observation, writing down my field notes and conducting interviews. Once the market closed at 9am I would spend the rest of the day with the owners of La Salada,

mainly at their offices, following every activity, observing and participating in meetings of various kinds and having conversations with people working within the market as well as with other stakeholders, such as politicians, consultants, economists, bankers, etc. This immersion allowed me to gain a deep and comprehensive understanding of La Salada.

#### *Interviews*

In addition to the ethnographic fieldwork, I also conducted a total of 75 interviews, both with people belonging to La Salada and with other stakeholders who are relevant to understanding more effectively the market and informality itself. Among these stakeholders were policy-makers; NGO activists fighting against slave labor and informality; important politicians (MPs, both national and provincial); formal textile entrepreneurs; the president of the textile industry association; and journalists and trade unionists.

#### *Archival data and documents*

I also collected a large amount of secondary data. This includes, among other sources, two books about La Salada, policy documents on the informal sector, published working papers about La Salada, articles from the main Argentinian newspapers (*Clarín*, *La Nación* and *Página 12*), and finally articles from international newspapers and magazines such as *The Economist*, *Financial Times*, and *Forbes*.

### **4.4.1 Data analysis**

In analysing the data, I structured the work in stages. First, by drawing on literature of institutional logics and inspired by the ideal types of logics tables (Thornton et al., 2008; Battilana & Dorado, 2010), I initially identified the key logics presented at La Salada. I drew on the texts of the in-depth interviews in order to capture the macro-discourse about the community identity of La Salada. In the second phase of analysis, I drew on archival documents to structure the historical timeline of the evolution of the logics. Then I used the transcripts of my interviews and looked for the narratives about the model of La Salada, how it emerged, the key actors, practices, and identities. This highlighted how La Salada displayed multiple logics. In the third and final stage, I sought to understand the emergence mechanisms of each of the two logics and the mechanism that would connect both. How did the community initially emerge? How did the market logic appear? And finally, how did the normalisation of deviant practices emerge within La Salada? I followed a pattern-inducing approach, as

suggested by Reay and Jones (2015), by focusing on the raw data and applying bottom-up processes to identify logics, which I later compared with the literature.

The complex puzzle I found was characterised by the evident role of the Bolivian community as responsible for the emergence of La Salada. Initially, my intuition led me to think that the community logic would be stronger. However, through an iterative process with my data set, I quickly recognised the co-existence of both community and market logics. Interestingly, the large data set would not indicate any evident conflicts among the two logics. I then coded texts referring to these two main logics. While it was becoming more evident that the key emergence mechanisms to study were translation (David et al., 2005; Czarniawska & Sevón, 1996) and incorporation and detachment (Padgett and Powell, 2012), new themes would emerge that could not fit into either of the two core logics. Given my sensitivity towards the crime dimension of La Salada, I started seeking and coding themes that explained violent behaviours of informal entrepreneurs. In this stage I started seeking evidence of normalisation of deviant practices within La Salada; here by following core grounded theory principles (Charmaz, 2006; Gioia et al., 2013) a large number of themes and second order categories was revealed. In the final stage of analysis, a strong critical mass of themes emerged around a new mechanism, which I then defined as arbitrage (Hall and Soskice, 2001); the emergence of this mechanism would substantially contribute to understanding the behaviour of informal entrepreneurs when they navigate the boundaries of formal and informal economic activity.

## 4.5 Findings

This section presents the qualitative evidence emerging from the analysis. I describe and explain the two core logics at play: a community logic focused on the Bolivian community; and a market logic focused on the entrepreneurial activity of La Salada, which includes people belonging to different nationalities. I also explain the meta-mechanism named normalisation of deviant organisational practices, focused on the spread of practices that top management and owners of the market often use to impose their will. Additionally, I provide the evidence for three core mechanisms: the translation mechanism that gives rise to the emergence of the community and market logics; the incorporation and detachment mechanism that underlies the normalisation of deviant organisational practices; and arbitrage, the mechanism that permits informal entrepreneurs to act both formally and informally. These core mechanisms exemplify the novel type of hybrid organisation embedded in the informal economy (Battilana and Lee, 2014; Bruton, Ireland and Ketchen, 2012). The tables highlight, through qualitative evidence, the emergence and functioning of each mechanism.

### 4.5.1 Translation mechanism

In this section, I examine the translation mechanism underlying both the community and market logics. Table 8 beginning on the next page highlights the dynamics of the translation mechanism (Davis et al., 2005) using quotes from the field work.

**Table 8**  
Overarching dimension: translation

Second-order themes and first order categories	Representative data
<b>1) Relying on Bolivian community practices</b>	
A. Spreading actions that re-unite the community.	<p>A1. <i>“The first thing that emerged here was a group of people who started to work in a rather hidden way; that’s why it started at dawn.”</i></p> <p>A2. <i>“People coming from Bolivia were the creators, the ones who really made the market grow. They brought their own way of thinking, the culture of hard work, of saving and not wasting. That makes a strong economy. They work together as a community and that is what helps them grow.”</i></p> <p>A3. <i>“The people who had little capital started to produce, generating jobs for their families, their neighbours. And working people were given a space here in the neighbourhood. So, a certain equality of opportunities emerged. ... At La Salada they all learned to live together. All of them, Bolivians, Peruvians, Paraguayans. All of them learned to co-exist. ... Here you can find a job, with or without qualifications. I didn’t get out of poverty, but it helps me survive.”</i></p>
B. Boosting sense of community self-esteem.	<p>B1. <i>“I believe it is related to the self-esteem. These people came on their own, leaving their families, they had to go through all that process of finding a job, a profession. There were doctors from Bolivia who came here to work in dressmaking.”</i></p> <p>B2. <i>“They used to sell goods when all that was a mud hole. That is where the singer of “Sombras”, Daniel Agostini, started. There are many who were born there and made a career. So, in order to attract people, this Gonzalo [Rojas], what did he do? He hired little bands to perform in a show. So, you went there shopping and you could find clothes on one side, food on the other, dinks and a show.”</i></p>

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B3. *“In the (Bolivian) community, if one has five and the other has less, they try to equal both at four. This way there is a linear growth among them, not stepped. And they grow equally so they can take over more land. This is what I could appreciate from the Bolivian community.”*

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## 2) Establishing market principles

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C. Disseminating entrepreneurial orientation.

C1. *“We started to arrive little by little and we started to settle, and seeing there was a possibility to earn some money. If you come to this market it is because you have an entrepreneurial spirit. Otherwise you don’t come, because it takes a lot to be working during the night and at dawn, resisting the weather, the storms, and the crowds.”*

C2. *“When we started officially, here in Ingeniero Budge [the actual place] we were mostly Bolivians, but, month after month, you would begin to see Argentines appearing here and there, who would be willing to work here, by doing anything really. They were attracted by the money, they could not really understand what we were doing, but they believed it was a good place to work and make a living.”*

C3. *“The owners control the real estate business. The stall rent they charge is very high and from time to time they sell a stall. The price per square metre is really high...”*

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D. Adopting more ambitious growth.

D1. *“People only have to work for 5 hours here, while everywhere else you have to work 12. The downside is that we work during the night, so we go against the normal routine. But it is only 5 hours, you finish, you go home. ...You can work wholesale here, which gives you the opportunity to grow faster.”*

D2. *“When I started here five years ago the owner had a stall at La Ribera, the street over there, they were not proper shops and he worked 24 hours. With time, they started renting a stall inside. I work fewer hours now. I started working here at 12 years old; I’m now 21.”*

D3. *“There is a lot of competition between the sellers. A lot of merchandise from China started to arrive. For example, a pair of trousers that costs 100 pesos. But if I have to produce it, it costs me 120 pesos. I can’t compete with that. That kind of competition pushes you to produce goods of lower and lower quality. A pair of trousers has to have this triangle of a certain size in order to fit*

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*properly. But that triangle makes you waste all of this fabric. So, you begin to reduce the triangle in order to reduce costs.”*

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### 3) Balancing practices

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| E. Converging the two dominant logics.                    | <p><i>E1. “They think about the Bolivian from Bolivia but it is not the same. They are Bolivians who brought the good things but also learned the bad things from here. ... Bolivians don’t have that commercial vision, but they are hardworking people. Now they are like this because they have lived here many years and have acquired some things. They are also smarter at making money. ... They buy huge vans. When one buys a van, the other one has to buy a bigger one. There is competition. He has nothing at all, but he has to own a van.”</i></p> <p><i>E2. “La Salada is a place where you can make progress. When Argentinians emulate the way Bolivians work, they do better than Bolivians because they add something. For example, there’s this middle-income Argentinian lawyer. He added to the Bolivian style of auto-exploitation a logic of how to sell and how to manufacture. To the Bolivians’ knowledge on workshops and fabrics, he added fashion know-how, which Bolivians lacked.”</i></p> <p><i>E3. “La Salada is a commercial system that was created by Bolivians about 20 years ago. The only thing I did was to expand it. I am also a shoemaker and I always followed the principle of earning little and selling lots.”</i></p> |
| F. Making social progress from the blending of practices. | <p><i>F1. “Their children, some of them study accountancy, in order to manage the business. It is a cycle where they go from one side to the other. And others stay in the same place. The one who sells in La Ribera does not enter the market because there will be more security, and he will have to pay a higher rent. And they don’t see that selling inside will also give them more profits.”</i></p> <p><i>F2. “I managed to buy a house, I have Internet, my husband has a car, my daughter - thank God - is studying at the university, she is studying administration and she is about to finish her degree.”</i></p> <p><i>F3. “There are smaller and bigger, but generally all of them are small entrepreneurs. There are no big manufacturers. Still, like everywhere else, there are people who sell more and people who sell less, people who make money and people who leave because they can’t make money. The market is like that; it is the same as if you open a shop in the high street.”</i></p>  |
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Source: Author’s elaboration.

*Translation mechanism – community logics*

La Salada as a hybrid, embedded in the informal economy as we know it today, began to function through the active work of the Bolivian community, particularly the manual workers who had formerly laboured in textile sweatshops producing goods for larger firms. Due to a process of economic crisis and social exclusion towards the end of the 1980s they were left without formal job alternatives to generate income and sustain their families. The formal apparel value chain would worsen the access to market for these Bolivian workers; fewer opportunities were presented to them. They initially started to organise petty market activities in the suburbs of Buenos Aires. In an economic context where unemployment was increasing, this represented the only viable alternative for most of them. Eventually, a group of twelve Bolivians started to gather in a place called *Puente Doce* to sell merchandise. Below is an interesting account from an informant who works within La Salada:

*“The original idea behind La Salada came from the Bolivian community, who started selling in Argentina the same way they used to do back home. But the way I see it, without the Argentinian mindset La Salada would have never turned into what it is today; it would have remained as a simple market without any special features. Instead, today La Salada has reached the media, it has three floors with escalators, it has parking space for hundreds of cars. So, nothing would have been possible without one another. If one hadn’t placed the first stone, the other one wouldn’t have been able to manage the business.”*

The informant suggests that the initial idea of La Salada developed through the initiative of the Bolivian community. This shows that the community infrastructure has provided the basic norms and practices for its members that would strengthen the legitimisation of its logic through a series of shared rules and mental models. But the informant goes on to suggest that the market logic has also been key to consolidating La Salada as it is nowadays. Another informant working at La Salada since its early stages describes the initial conditions of the context where this collective project started:

*“La Salada was born around 17 to 20 years ago. This was a forgotten place, dark, lonely. Coming here was a bit dangerous; you had to run a risk because there was no security and access was difficult. People began to arrive out of necessity, to look for a job.*

*There was no electricity, not even in the houses. We had to bring our own electricity, put up the stall, shelter from the weather. Coming in and out was very risky, because even if there was some security inside, outside it was like “May God help you”.*

The enduring effects of the community work can help to explain how, despite the tough conditions of the context of La Salada, the Bolivian workers persevered.

*Translation mechanism: market logic*

While the initial community boost was fundamental to starting La Salada, the market dynamic is today a central part of the market and clearly explains its current dynamism. Although La Salada is a hybrid organisational form embedded in the informal economy, this does not necessarily mean it is a pathological form of organising. Actually, even though it does contain deviant practices, as I will discuss later, it is also an organisation with strong market logic. An informant confirms this view, stating:

*“There are many reasons why La Salada is just another type of market organisation. Not a pathological type, but one that, in a certain context, becomes a necessity. I don’t believe it is outside capitalism.”*

This informant suggests that La Salada, with its unique aspects of organising (for example, the strong community grounding and even the presence of deviant organisational practices), still represents the values of capitalism, and thus a strong market logic. Another informant working at La Salada as a stall owner refers to the market logic and what this means to him in practice:

*“I have always sold as cheap as I could. We have to produce more if we want to earn more. When there is work, you have to work 24 hours, also during the night. I have once worked 26 continuous hours cutting out shoes, this was my record.”*

The informant explains how, increasingly, the source of legitimacy at La Salada is the opportunity orientation and the search for rapid growth. What could be referred to as market activism can be seen through the words of the informant, who highlights the competitive environment of the market, the vertiginous dynamics of the working conditions, the

willingness to improve and become more cost-effective and successful. It could be argued that this is a triumph of capitalistic market logic embedded in informal activity, and with a strong grounding in a community. Also, the qualitative evidence presented in Table 8 indicates the presence of a notion of self-interest and a rather aggressive form of market capitalism within this logic. As opposed to this idea, the community logic entrenched in La Salada, more noticeably in the early phases of the market, presented a stronger notion of reciprocity and complementarity among the community members (mainly Bolivians), a continuous commitment to the community itself, and to keeping its ties and institutions alive, in keeping with the basic norm of community logic, which prioritises membership (that is, belonging to the Bolivian group).

#### **4.5.2 Incorporation and detachment mechanism: normalisation of deviant organisational practices**

One informant from La Salada details an episode that had occurred the night before the interview:

*“Last night a guy from one of the gangs was killed. They killed a guy who apparently had killed two people during a previous fight about a week ago. But those two bodies haven’t been found yet. They say they were taken to Lanus, I’m sure they will turn up dead in some hospital there. It all happened one block away from the police station. And yesterday again all these gangs ended up in a shooting, but the police didn’t lift a finger.”*

The account refers to a gun fight that had occurred in an area directly next to La Salada (called La Ribera), resulting in one death. The account reveals the lack of reaction and enforcement by the police, which has a station right at the corner of La Salada’s main buildings. People working within the market consider this situation “normal”. In fact, criminal acts or behaviours such as the one described above sometimes happen within La Salada; often this use of violence is a tool to gain or retain power, and then, to negotiate with the other party involved. In terms of the mechanism to explain how this happens, the following account from a journalist who investigated La Salada for more than one year provides a good deal of insight:

*“Then the “boss” started a “cleaning operation”. The goal? That everyone could come safely to La Salada. The hidden message?*

*Here you can't mess around. ... I had to fight hard against the local insecurity. People would come here and often be robbed, and we had to go and visit the Villa [slum] to get their things back.*

*He started to knock on the doors of gang leaders, most of whom he personally knew from the neighborhood. "Here we have codes, you know? We have to take care of this place because it gives many people opportunities" While some of the criminals would agree with him, others showed more resistance: "We need to work as well!" to which he would answer: "Well, go steal somewhere else!" But many of them came to an agreement with him. They agreed to abandon their criminal activities and started performing small jobs at Punta Mogotes market [of which he is the CEO]. "I never offered them money, instead, I offered them to come on board with me", said the CEO of Punta Mogotes."*

The account reveals important elements of the mechanism dynamics. The authentic normalisation of deviant behaviour happens because one of the key leaders (institutional entrepreneurs) of La Salada decisively entered another network, a crime network, and recruited members whom he brought into La Salada, where the community and market logics were already operating. Thus, he integrated crime (know-how) into La Salada (an already hybrid organisational form). Later, when he had achieved his goals, he detached from these crime networks. The emergence of this mechanism of incorporation first and detachment later finalises the hybridisation process of La Salada. The consequences of incorporation and detachment are multiple: firstly, a new type of hybrid organisational form was born, and a series of crime-related practices were incorporated within La Salada, and not just sporadically. The incorporation of people belonging to the crime-world is another consequence, as they become adjunct to the power of La Salada, and this allows certain practices to become more frequent and later accepted.

In this sense, it is clarifying to read this quote from an informant who knows La Salada thoroughly:

*"Violence acts as a regulator of the market. It is not the first resource; there are many stages before arriving to violence. The mechanism works like this: you argue, you arm and then you*

*mediate. Showing power is very important here. If you have a big family with tradition in the market, or if you know Castillo or Antequera, you have more power. Physical violence is the last stage, but first comes verbal confrontation, showing who you are, what you have, and who you know.”*

This account plainly reveals the conditions under which violence is used within La Salada. Violence is not just used for its own purpose. Instead, it represents a tool of last resource. The dynamic is essentially based on trying to avoid the use of violence in the first instance, but simultaneously, it suggests that it is important to gain and showcase power in the form of weapons and influence or connections, particularly with some of the key people within La Salada who can provide leverage. Still, people need to be ready to use violence and confrontation. One informant provided more clarity about the causes of normalisation of deviant practices within La Salada:

*“Some use violence as a resource, in this case, a political resource. “I ensure order here. I can offer you some benefit such as a state agent”. It is all related to the state, which means informality is actually formal. It is an agreed condition; it is not out of the formal. There is tolerance and negotiation. Informality is sometimes considered as a condition where you fall by default when you are out of formality. But no, informality is actually produced in the negotiations between actors who share a mutual agreement, an agreed co-existence. That’s what creates informality.”*

The informant explains how the public authorities, particularly at the local level, are not capable of enforcing the law, due either to weakness or corruption. Once deviance is permitted, members of La Salada can institutionalise the practice of corrupted behaviour, which finally becomes the rule.

**Table 9**  
Overarching dimension: incorporation and detachment

Second-order themes and first order categories	Representative data
<b>4) Bringing one network into another</b>	
G. Mobilising against a safety threat.	<p>G1. <i>“Here at La Ribera, people have to fight to keep their place and power. People will defend their place, by using force, by using guns, and by using violence. That’s how it works here...you may have the power today but if you and your family are not ready to fight, someone sooner or later will come and take it from you.”</i></p> <p>G2. <i>“There are these crime gangs, kind of groups. They are organised with a few of them at the top, and these young ones will work for them, by selling drugs, or killing someone if needed. It is very hierarchical and there is not much space for discussion here, you have to accept it as it is.”</i></p>
H. Activating/promoting new playing conditions.	<p>H1. <i>“So, he said, ‘I am going to give a job to the people of the neighbourhood’. And he would give them conditions: ‘You are going to watch and I will pay you’. So, people started to take over the streets, preventing other people from parking there.”</i></p> <p>H2. <i>“Those are the rules of the game. Those who go to La Salada know they will sell. But they also know that they run a risk when they arrive and when they leave. They are waiting. When there is a death, you can imagine how the family feels. It happened to us, clients who died there. As they came out, a person shot them to steal their van. Another client was lucky because the bullet passed through; they wanted to steal from him.”</i></p>
<b>5) Using violence to negotiate</b>	
I. Promoting deviant practices.	<p>II. <i>“They threatened the stall-owners and renters with stealing everything from them ... Micaela was initially receiving the cash as a result of renting all her stalls. Once she decided to change the way it was managed, a man named El Zorro said to her: ‘Come to me and take them away from me, if you can’. The day she decided to come back to the feria, they started to threaten her by using guns and by intimidating all the people working for her ... eventually they killed her security guards that day, they</i></p>

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*were inside the car, and they were shot during the day. ... However, later, Castillo agreed to find a solution with Micaela to avoid 'conflict'; once again that was the triumph of making a show of force and strength and later negotiating."*

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- J. Showing the instrumental use of violence. *J1. "When I did the research for the newspaper, we found out that the car in which the killers came to shoot belonged to the Policia Bonaerense. ... When I mentioned this to Micaela, she could barely talk. When you receive 14 gunshots, your perspective on things changes."*
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### 6) Institutionalising a deviant practice

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- K. Normalising criminal behaviour. *K1. "The Bolivians have a particular culture in which they all feel capable of leading. That's why there are a lot of arguments here. What he [Castillo] did was to become a leader and manage those arguments so they would not disturb the functioning of the market. And he made himself the boss. Up until a few years ago he shared the power with a Bolivian. But he only had the Bolivian on his side to keep control over the rest of the Bolivians ... Castillo's role is to organise us and to eliminate internal fights. Whenever they get serious, boom, boom, boom, that's it, solved. That is another advantage of the leaders of La Salada; they grew up in a neighbourhood where he needed to survive."*
- K2. "I think that violence is regulated; it is not irrational or uncontrolled. This is a safe place, I've never been afraid of being robbed."*
- 

- L. Aggregating deviant practices to corporate practices. *L1. "If there's a conflict around a stall, first comes confrontation and then negotiation: 'You keep this part and I keep this other part'. When this is not sufficient or when there is betrayal, the guns come into play."*
- 

Source: Author's elaboration.

#### 4.5.3 Arbitrage of formal and informal economic activities

In the context of La Salada, a hybrid organisational form embedded in informality, arbitrage means leveraging the differences between the institutions of the formal and the informal economies. An informant vividly highlights this capacity to navigate strategically between these two worlds:

*“Thanks to my other [formal] business, I already had business in every place, even where these materials are sold. To me it was easy to start producing because I had the doors open everywhere. Everyone in the union knew me.”*

The informant is a formal entrepreneur who also owns a stall at La Salada. He is explaining that he grasped the codes of the formal economy, standards of production and knowledge of key actors of the industry. Nevertheless, in the following quote, he goes on to say:

*“My case is different. I sell in cash, but I buy on credit. The others, on the other hand, have to buy in cash as well because no one lends them money. I can choose to buy on credit or to buy in cash with a significant discount, which the others won’t get. That is their main obstacle, they don’t have any other way of doing it so they buy in cash.”*

Above, the informant highlights the key problem within the formal economy, which is essentially a finance problem for many small entrepreneurs. The lack of access to finance is a sensitive issue for many small and medium entrepreneurs. In his case, he can operationalise a solution to a problem of the formal economy by working at La Salada where he can sell all his products in cash. He still buys the raw material to produce his shoes by paying in instalments over several months. This gives him a critical financial advantage, as he can delay his payments for three or six months while still making immediate revenues in cash. The arbitrage mechanism is important because it allows him to identify opportunities; it highlights the ability of these informal entrepreneurs to identify institutional differences and contradictions between the formal and informal economy which they can then exploit. This is extremely relevant as policy makers have often been asking themselves why entrepreneurs decide to enter informality. In this sense, literature has overlooked the micro-motives and mechanisms of entrepreneurs within the informal sector, especially of those who operate both in the formal and the informal economy.

**Table 10**  
Overarching dimension: arbitrage

Second-order themes and first order categories	Representative data
<b>7) Manipulating institutional environment interpretation</b>	
M. Using rhetorical tools to manipulate.	<p><i>M1. "Castillo succeeded in making La Salada grow. He plays with the boundary between the formal and the informal, which has nothing to do with the illegal. While the "informal" refers to the particular working conditions, legality is only linked to the issue of brand falsification. He knows how to cover that and he does it very well. That's why journalists and cameras are usually not allowed."</i></p> <p><i>M2. "To us, the issue of formality is related to the way the business is done. We think it has nothing to do with the legal and illegal."</i></p>
N. Securing economic advantages.	<p><i>N1. "I have 85 [employees]. Suddenly I went down to 83 and they told me straight away: 'You need more people, because we have benefits for having so many formal workers'. So, I can never go under 85; I hired another four."</i></p> <p><i>N2. "I think the difference people make between formal and informal is a political resource to organise economic transactions. More than a status that divides actors, it is a field where actors negotiate about whether a formal or an informal transaction is more convenient. It is a way for the actors to define their own condition and resources. The game is all about drawing that border."</i></p>
<b>8) Securing institutional advantage</b>	
O. Strategically shifting activities.	<p><i>O1. "I have been producing shoes for 35 years. When I sell my shoes, I am paid with cheques I can only cash 60, 90, even 120 days later. ... Even if I sell less in here, I always leave with money in my pocket. This is important given the inflation we have nowadays."</i></p> <p><i>O2. "Here you can keep the profit instead of giving it to high street sellers. Here I apply a minimal profit. While the high street sellers apply a 100% or 150% markup, I only apply 30% or 40% according to my own model ... For a pair of shoes I sell at 300 pesos, they charge 600 or more. Shopping centres are even more</i></p>

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*expensive; they charge an extra 2,5 because they also have other expenses.”*

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- P. Operationalising a solution to a formal economy problem.
- P1. “We have to understand that for those who have a shop inside, if they pay taxes their price skyrockets. And then they can’t sell because it becomes too expensive. ... It becomes too expensive because they have the same costs as in Buenos Aires, but with the additional cost of the long-distance transport.”*
- P2. “With clothing and shoes there is no doubt, I have a factory and I display my shoes in a formal exhibition in Buenos Aires. I have clients across the country, but the way we trade is different. They come to buy, I produce in my own time, I deliver the merchandise and then they send me a cheque. The good clients send it straight away, the others I have to call them 20 times. It has worked like that for 50 years. ... Sellers like me with a double role have a lot of advantages compared to those who only work here.”*
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Source: Author’s elaboration.

The table below represents, through empirical data, the two institutional logics of La Salada. Through key route metaphors it provides evidence of the two logics: community and market.

**Table 11**  
Co-existing institutional logics at La Salada

<b>Route Metaphor</b>	<b>Community logic</b>	<b>Market logic</b>
<b>Sources of legitimacy.</b>	<p><b>Reciprocity, complementarity, redistribution.</b></p> <p><i>“Within the Andean Communities, still today the very core of the economic activity is organised through the system of “ferias”. They are open places, where one can go with his own products and sometimes would exchange them for something of similar value or utility. Money (currency) is not necessarily the means of transaction there. The explanation is based on the fundamental principles of the Andean economy, that is,</i></p>	<p><b>Opportunity, short term profit, rapid growth.</b></p> <p><i>“Here you can come and you can start to work immediately, with very little input and money. You will also find those who will lend you money to get started, and then it is up to you how much time you want to spend here and how much you want to grow. Today’s formal firms such as Punto Uno and Escombros, both started here in La Salada...it depends how much time you are willing to</i></p>

	<i>reciprocity, redistribution and complementarity.”</i>	<i>spend here and how ambitious you are.”</i>
<b>Sources of authority.</b>	<b>Commitment to Bolivian community.</b> Family members. Community.	<b>Market activism.</b> CEOs of La Salada. Owners of La Salada. Institutional Entrepreneurs.
<b>Economic system.</b>	<b>Indigenous institutions.</b> <i>“In the Andean economic system, production, circularity and consumption are based on a different logic of the use of soil. For example, in Bolivia, sugar doesn’t push the frontier of production, because that is not good for the land, and thus we are not going to do that. But according to the “modern” criteria of production that would be wrong. However, for us that is simply to prioritise an ecology principle.”</i>	<b>Aggressive market capitalism.</b> <i>“This is how it works here: we have to rent a stall in La Salada. If I do rent it, I pay \$1,000. I come here at night, and I bring with me whatever number of products I want or can sell. Thus, I work between 1am and 6am. At 6am, to be honest, I am done, I already sold everything I had. But what I do now is to sub-rent my stall to someone else, for example to someone who needs it as storage for a certain number of hours or even days. Thus, the logic of aggressive accumulation of capital is there, because I am earning an extra profit by doing more, and in that sense, you could say it is a form of hybridisation of our original Andean principles.”</i>
<b>Governance.</b>	<b>Precarious activity.</b> <i>“In 1991, the small number of Bolivians who would organise petty market activities here and there, in various parts of the Province of Buenos Aires, finally decided to establish in Ingeniero Budge.”</i>	<b>Polycentric system.</b> <i>“Once the first few years go by and everyone understands the business and when all the actors linked to La Salada (the Local Government, the Province Government, the Police, the stall owners and the administration) understand their role, each one focuses on their work and you enter a sort of ‘automatic pilot’ where you only have to deal with specific problems.”</i>

<b>Source of identity.</b>	Informality as a mode of surviving.	Informality as a way to boost entrepreneurial spirit.
<b>Key activities.</b>	Family-based production. Selling textile-products.	Outsourcing of production. Selling through multiple stalls.
<b>Bases of attention.</b>	Resolve unemployment problems and community challenges.	Resolve logistics and organisational challenges.
<b>Basis of strategy.</b>	Increase the number of clients.	Increase the number of new businesses.

Source: Author's elaboration.

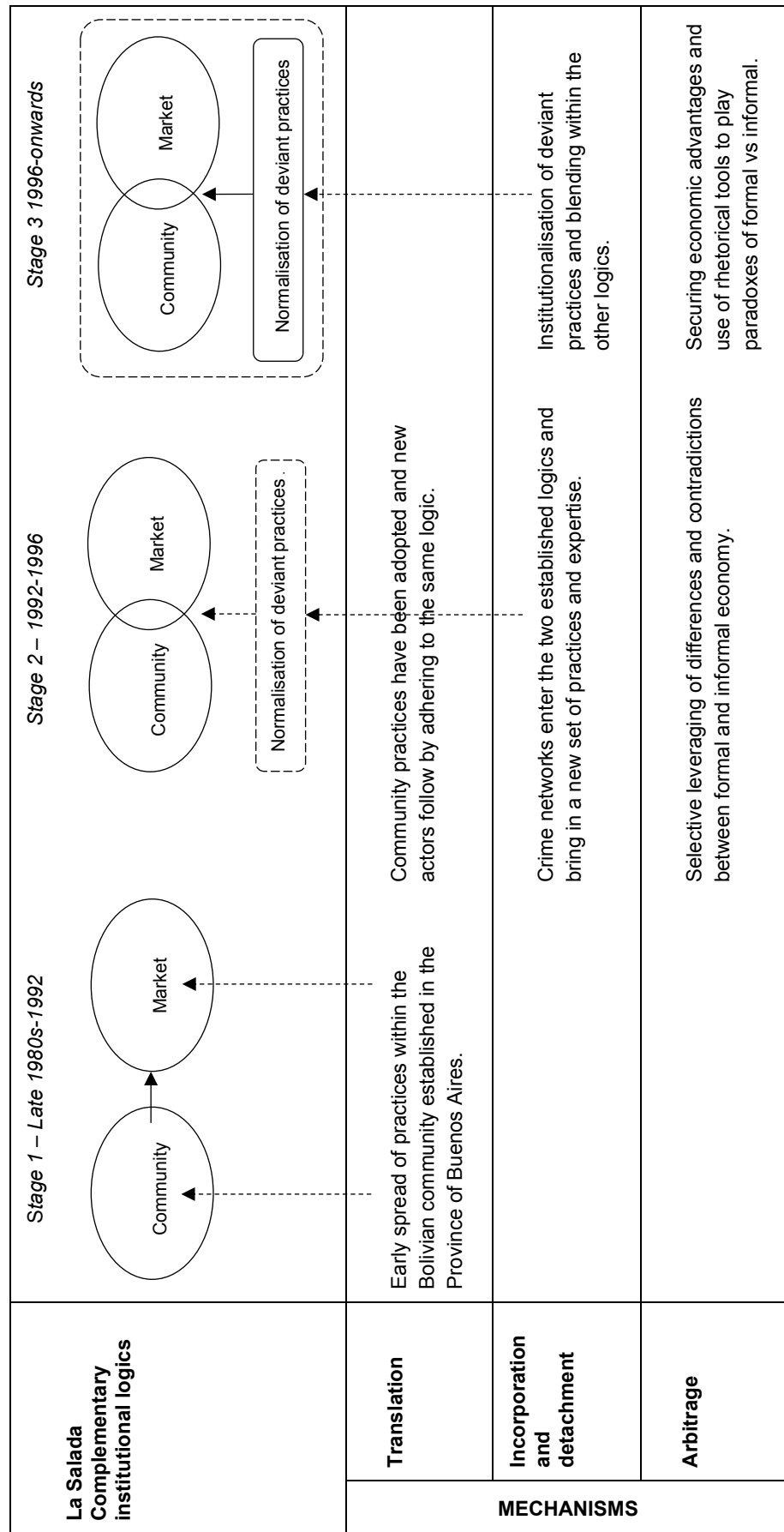
Given that this empirical study is the first to analyse a hybrid organisational form embedded in the informal economy, it can be argued that it represents the ideal types of the logics of these organisational forms, which navigate between the formality and the informality.

## 4.6 Discussion

I started this study of a complex hybrid organisational form embedded in the informal economy seeking to understand the institutional logics that characterise this type of organisation and the mechanisms of the emergence of such logics. I argued that the case of La Salada as a unique hybrid provides a unique context to understand how the logics of community and market are able to function smoothly through the emergence of a normalisation of deviant practices meta-mechanism that allows them to co-exist and even complement each other without conflict, as is often stated in the literature (Smets et al., 2015). The findings indicate the presence of a new type of mechanism which characterises this form of hybridity in the informal economy, and these logics can be integrated into a theoretical model that explains how actors are able to co-exist with contradicting logics, as well as how institutional complexity can incorporate and institutionalise illegal practices. The model also visualises the three key mechanisms identified from the data, which underlie the emergence and dissemination of the logics and the core meta-mechanism at La Salada. Furthermore, the model shows how informal entrepreneurs strategically exercise institutional arbitrage by

shifting particular activities to the formal economy in order to secure certain specific advantages of that institutional environment while leaving other activities within the informal economy. In Figure 12 on the next page, I illustrate this model based on my empirical data.

**Figure 12**  
 Model of a hybrid organisational form in the informal economy: Generative mechanisms of multiple institutional logics



Source: Author's elaboration, based on empirical data.

In the first stage, we see the rise of the community and market logics. Both logics are key to understand how La Salada could emerge. The concept of community has been either overlooked in organisation theory literature (O'Mahony and Lakhani, 2011) or looked at in only a few studies (e.g. Smets et al., 2015). Following Marquis and Battilana (2007), community in the case of La Salada is a central construct and drives the entire hybrid organisational form, as it explains the translation dynamic of its core mechanism. In this phase, the work of the Bolivian community was fundamental. A group of people belonging to that community would gather every week, selling and buying products and spending time together. This initial work by the Bolivians confirms what several authors suggest in relation to the role of the community in processes of organising (Thornton et al., 2012; Marquis, Glynn and Davis, 2007; O'Mahony, Lakhani, 2011). O'Mahony and Lakhani (2011) suggest that members of a community with a shared interest in a common matter of equal importance to all of them will share their experiences, learn from each other and move beyond current knowledge, and that the communities represent a fundamental pillar to understand the evolution of organisations. As suggested by early studies (Scott, 2003; Zald, 1970; Warren, 1967), the community in La Salada also functions as a geographically coherent group of individuals and organisations that are able to both compete and co-operate, which minimises the negative effects of the context.

In terms of the mechanism of action, I posit that both the community and the market logic emerge through a mechanism of translation. According to Davis et al. (2005, p.55) translation “refers to the process by which practices that travel from one site to another are modified and implemented by adopters in different ways so that they will blend into and fit the local social and institutional context”. In terms of institutional theory, “the translation metaphor comes from linguistics and connotes transformation so that whatever is translated is being reshaped in a specific context” (Zilbert, 2008, p.1620). Organisational scholars have applied this mechanism in complex quantitative models, but seldom in interpretive qualitative research (Davis et al., 2005). Thus, this mechanism highlights the specific circumstances of the emergence of new practices within an organisation or field. Translation is considered one of the cognitive mechanisms of the literature in social movement and organisation theory, which consistently tries to explain dynamics of actions of collective action. Translation “may involve actors trying to adapt new practices to already existing normative assumptions about how organisations or movements ought to be organised” (Davis, et al., 2005, p.57). As a mechanism, it helps to explain how information (or practice) moves from one site to another (Rao et al., 2001).

In the case of La Salada, the community actively contributes to spreading practices that are capable of re-uniting the community by creating a new sense of community self-esteem.

Within phase one, the market logic spread through La Salada. A distinguishing feature of La Salada, as a large informal market place, is precisely its strong market positioning. The “peaceful co-existence” of market and community logics in La Salada differs from the dynamic of conflict attributed to the co-existence of community and market logics by other studies (Smets et al., 2015). The emergence of the market logic through translation contributed to the early dissemination of a strong entrepreneurial orientation, which was not there in the beginning among people working at La Salada as stall owners. The community logic initially gave a subsistence-type approach to La Salada: most of the people went there simply trying to generate a basic income to survive. This change represents an important milestone for La Salada and its growth. Our findings show that even formal entrepreneurs recognised the presence of such entrepreneurial action within the market. Consequently, another conceptual category which emerged was adopting a more ambitious growth. La Salada started to offer growth opportunities well beyond a simple basic income: it became a place where formal entrepreneurs could optimise their finances, or where informal entrepreneurs could thrive or even become formal, as happens in some cases (two firms born at La Salada have become formal firms, Punto Uno and Escombros). One of the most important insights of this is the evidence of how vibrant market capitalism can be in the informal economy. The place has become a source of business opportunities for many and a competitive place to find quick growth. Thus, we see that the translation mechanism helps us understand the emergence of these two logics: it points out that once members of La Salada adopt the community and the market practices, others follow, to avoid appearing out of step with the trends emerging, and consequently following behind in competitive terms (Davis et al., 2005; Abrahamson and Fairchild, 1999).

According to Volkov (2002, p.27), the term violent entrepreneurship represents “the way in which groups and organizations that specialize in the use of force make money” and refers to the organisational practices and strategies which enable the use of violence. As Varese states (2001, p.3), “at the time of the transition to the market, property rights may be badly defined by the state and that protection may not undergo centralization and end up in the hands of the state... other forms of protection emerge, especially in the face of an inefficient state and in the presence of people trained in the use of violence”. While in the case of La Salada it is not technically correct to talk about a mafia (Gambetta, 1993; Varese, 2001), the data gathered attest to the presence of a set of systematic deviant practices within the organisation and established in a manner that allows us to discuss a new emerging meta-mechanism that I define as normalisation of deviant organisational practices (Vaughan, 1999; Earle, Spicer, and Sabrianova Peter, 2010). In terms of generative mechanisms, Padgett and Powell (2012, p.44)

describe incorporation and detachment as “the insertion of a connected chunk of one network into another... a hybrid organization forms in the incorporation overlap... the hybrid eventually detaches to find its own new exchange relations”.

Initially, it was the sociologist Robert Merton who in the 1930s discussed deviance as the result of “societal strains that place pressure on individuals to become deviant” (Clinard and Meier, 1985). But normalisation of deviant practices can be caused by a variety of reasons, such as the lack of enforcement or weak governance (Li and Ng, 2013). A number of authors explain that there are different factors that contribute to the emergence of organisational deviance, including poor ethics in decision-making, too much weight given to economic dimensions, and the creation of circumstances conducive to immoral behaviour (Ashforth and Anand, 2003; Brief, Buttram and Dukerich, 2001).

Deviant practices can be normalised because certain routines have been adopted and become permanent. From being socially not accepted, a practice can turn into a perfectly acceptable one within a given organisational context (Ashforth and Anand, 2003). As stated earlier, the organisation can “learn and store it in their organizational memories, making the practice more likely to be applied again in the future” (Li and Ng, 2013, p.644). Normalisation of deviant practices can thus become a consolidated meta-mechanism between the two main logics (Misangyi et al., 2008) through the work of institutional entrepreneurs (Fligstein, 1997; Thornton and Ocasio, 1999). The findings show how actors normalised crime-related practices within the organisational context, and consequently how they become institutionalised. We have also discovered the mechanism of emergence of such practices, namely incorporation and detachment. In doing so, this mechanism highlights how informal entrepreneurs of La Salada have been able to incorporate crime networks into their own networks and then detach from them in order to establish this new type of hybrid organisational form.

This study also builds upon the work of Battilana and Dorado (2010) looking at micro-finance institutions in Bolivia, in two ways. First, by taking the call of the authors to study non-typical Western contexts to understand new types of hybrid organisations. Secondly, to expand our current knowledge of organisations embedded in contexts with low adherence to formal rules, as is the case for Bolivia and those featuring a high degree of informality. Additionally, the findings show how informal entrepreneurs navigate the boundaries of formal and informal by using arbitrage. Institutional arbitrage normally refers to a context where a firm gets to exploit opportunities in a different institutional environment from the one it belongs to (Gaur and Lu, 2007). Hall and Soskice (2001, p.57) explain that “companies may shift particular activities to

other nations in order to secure the advantages that the institutional frameworks of their political economies offer for pursuing those activities”. However, as noted by various scholars (Hall, 2015; Dibben and Williams, 2012), the varieties of capitalism literature have neglected the contexts of the emerging and the informal economies when dealing with alternative institutional arrangements. Through this mechanism, they can leverage the institutional differences between formality and informality. This mechanism highlights the ability to span between formality and informality and to navigate smoothly the ambiguities of those grey areas.

## 4.7 Conclusion

In this grounded theory study, we have developed a new model of how informal firms navigate between two logics that can complement each other through a normalisation of deviant practice meta-mechanism. This model explains the emergence of the different logics that characterise this unique form of hybrid organisation embedded in informality, as well as these logics’ generative mechanisms. The study takes the institutional logics approach into a rich organisational context characterised by what scholars have called wicked problems, defined by Dorado and Venresca (2013, p.69) as “problems which are defined by their circular causality, persistence, absence of well-structured alternative solutions, relative lack of room for trial and error learning”. As the purpose of scholars in the field should be, among others, to develop new theory, scholars have suggested that “theory ought to create the capacity to invent explanations” (Stinchcombe, 1968, p.3). The purpose of the organisational theorist, then, is to provide alternative interpretations in building theories of social phenomena (Stinchcombe, 1968). In this study, we provide a fresher perspective on how informal firms function, their internal logics and how they can navigate through formality and informality

The study provides new insights such as showing how market logics can function in a context where formal institutions are mostly absent. This is relevant as scholars have argued that “given the interpretation of institutions across levels this raises the question of market logics in societal sectors where you would not expect to see markets operating, such as in the case of families and the rising salience of religions in a world system” (Thornton and Ocasio, 2008, p.121). In the case of La Salada, market institutions are present and function in a systematic way. This work builds upon the idea that in emerging economy contexts, informal economic and organisational arrangements are far too important to ignore (Spicer, McDermott, and Kogut, 2000); this is one of the very few studies of how institutional logics are articulated in informal firms. By introducing the normalisation of deviant practice meta-mechanism, I

provide the field of institutional theory with a new type of mechanism that strengthens our understanding of firms embedded in the informality. This represents an important contribution to the field.

This study also contributes to the field of hybrid organising (Battilana and Lee, 2014). Past studies have often focused on the tensions and contradictions between different logics, while in this study, I present two logics, and a new type of meta-mechanism which provides important insights for both organising in the informality and for institutional theory. In the past, only a few studies of hybrid organisations within the informal economy have been presented, and most of them adopt a new institutional economics approach - i.e. a rational-choice approach, where hybrid governance is explained through transaction cost economics (Williamson, 1991; Poppo & Zenger, 2004).

#### **4.7.1 Future research**

While this study has some important contributions to offer to the field, it is not free of limitations. It is based on a single case study, and although the case is very relevant and informative, it would be valuable to study similar research settings in other regions of the world also strongly dominated by the informal economy, such as India, Brazil, or Nigeria, to name a few. It would also be useful to study how these mechanisms can be applied to different organisational contexts and how a normalisation of deviant organisational practices could appear in formal firms.

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## **Chapter 5**

### **Third Study**

Economic Governance in the Informal  
Economy: How Institutional Entrepreneurs  
exploit Robust Action in a Polycentric System

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**Key words:**

Institutional polycentrism; Informal entrepreneurship; Robust action; Proto-institutions.

## **5.1 Introduction**

How various types of actors and organisations such as social movements or hybrid organisations develop alternative institutional arrangements to overcome the liabilities of emerging economies' institutions is a question that has been attracting increasing attention (McDermott, 2007; Mair and Marti, 2009). McGahan (2012) points out that when management scholars face the challenge of understanding organisations such as Napster, the field can benefit greatly from the consideration of informal firms and entrepreneurs through a different lens, such as management and organisation theory, and notes (2012, p.19) that “not only is the informal economic activity important in its own right, but it is integrally bound to the formal economy”. In this third study, I focus on how informal entrepreneurs in La Salada enter a polycentric system (Ostrom, 1999; Batjargal et al., 2013) by interacting with lower-level (municipal) formal institutions, and how they exploit brokerage opportunities in a context of limited rule of law, generating proto-institutional outcomes (Lawrence, Hardy, Phillips, 2002). The focus is on the robust action of informal entrepreneurs in interaction with local formal institutions. The study looks at the brokerage activity of informal entrepreneurs between contradictory networks and how they leverage opportunities from this multivocality within a polycentric order.

This study was again carried out in South America's largest black market (Sassen, 2011), located in the province of Buenos Aires, Argentina. To study the institutional effects of this interaction I conducted a grounded theory study, based on in-depth interviews, participant observation and use of archival documents. The findings show how informal entrepreneurs leverage the conflicts among macro-institutional centres, how they are able to establish norms and rules of interaction, how they exploit brokerage opportunities, and how second-generation proto-institutions are generated.

This study makes a number of important contributions to institutional theory and entrepreneurship in the informal economy. Firstly, it expands our understanding of institutional polycentrism, defined as “spontaneous order in which multiple and independent decision-making institutions make mutual adjustments” (Batjargal et al., 2013, p.1026) in the emerging economy context. Secondly, it provides empirical evidence of how robust action is implemented within an extra-legal context, through a wise use of multivocality. Finally, it highlights the creation of proto-institutions from the interaction of informal and formal institutions, a phenomenon so far unexplored.

Within the field of management and organisation theory, the relatively small amount of in-depth research on informal institutions and organisations suggests that the emergence of informal institutions or rules is explained by formal institutions' being incomplete or imperfect (Webb and Ireland, 2015; Bruton et al., 2012; Khavul et al., 2009); or being ambiguous (Uzo and Mair, 2015); ineffective in practice (De Castro et al., 2014); or of low quality (Autio, 2015). All these approaches are valid and advance our understanding of the organising of economic activity within the informal economy but are limited by their exclusive focus on responses to some type of deficit of formal institutions. In this study, I aim to advance the research agenda of the field by taking a more complex, layered, and agentic view that incorporates not only the weaknesses of national-level formal institutions but also the interactions of informal organisations with lower-level formal (i.e. municipal) institutions, taking into account the polycentric nature of the system (Ostrom, 2005; Batjargal et. al., 2013). This study focuses on two macro-formal institutions: regulatory institutions, which institutionalise rules, and political institutions, which focus on standards defined by the government (Holmes, Miller, Hitt and Salmador, 2012; Tihanyi, Devinney and Pedersen, 2012). Both types of institution are linked to the stability of the institutional environment and possibility of generating institutional change (DiMaggio & Powell, 1991). Bridges (2012), by studying the governance structure of financial systems, has found that the emergence of a governance system was the result of the interaction between formal institutions and social relations, norms and other practices.

This research explores the mechanisms of self-enforcing exchange, such as those used by informal entrepreneurs to enter a polycentric system, and the way their exploitation of opportunities in a polycentric system gives rise to institutional innovation. The proto-institutional outcomes (Lawrence, 2002) show the result of the robust action of informal entrepreneurs interacting with local institutions in a polycentric governance system. I devise a process model linking the spontaneous interactions between informal entrepreneurs and formal institutions, the rise of alternative sets of rules and norms, due to weak and unenforced macro-institutions, and the brokerage work exploiting contradictory networks which generate proto-institutional outcomes. This study is organised as follows. First, institutional polycentrism theory and the literature on formal and informal institutions, robust action and proto-institutions are reviewed. Second, I describe the methodology used to study La Salada and its interactions with formal institutions. I then present and analyse the findings. Finally, I draw conclusions and make some recommendations for future research.

## **5.2 Theoretical context**

### **5.2.1 Formal and informal institutions**

Institutions have been defined as rules of the game (North, 1990), as “a system of social factors such as rules, beliefs, norms and organizations” (Greif, 2000) or as “regularity in social behavior that is agreed to by all members of society” (Schotter, 1981). Describing emerging economies, Tihanyi, Devinney and Pedersen (2012, p.151) note that “many of these countries have underdeveloped and weak formal institutions ... commonly, they will have a few stronger and some weaker formal institutions at the national level”. It is precisely due to the presence of weak formal institutions that informal institutions are often considered an effective substitute. As Dixit (2004, p.3) notes, “economic activity does not grind to a halt because government cannot or does not provide an adequate underpinning of the law ... therefore groups and societies have much to gain if they create alternative institutions to provide the necessary economic governance”. He emphasises that because markets function well only if the proper form of economic governance that can support them is present, individuals and societies at large try to develop private, alternative institutions (even if they are not perfect), to sustain their economic activities when the formal law is either missing or not functioning well (cf. Rodrik, 2003).

In other fields of social sciences, informal institutions have been studied for a relatively long time. In the field of political science, for example, the seminal work of Helmke and Levitsky (2004) has looked at clientelism and patrimonialism or bureaucratic and legislative norms as informal rules shaping the political field. The authors suggest that by not looking at informal institutions we may lack a perspective to understand incentives and constraints. Comparative institutional analysis applied to Latin America, Africa and Asia has shown that the authentic “rules of the game” are in fact informal ones, and unwritten codes are the ones that guide the micro-dynamics of actors’ behaviours (Helmke and Levitsky, 2004). Informal institutions are defined as “socially shared rules, usually unwritten, that are created, communicated and enforced outside of officially sanctioned channels” (Helmke and Levitsky, 2004, p.727). The authors explicitly suggest that formal institutional weakness does not always lead to the activation of informal institutions, and that when informal institutions respond to established rules and their violation, it causes some form of external sanction. The authors emphasise how informal rules frequently explain institutional outcomes, even those of formal institutions. For this reason, they suggest that institutional analysis needs to include informal institutions and the motivations of informal actors.

Mair, Marti and Ventresca (2012, p.2) explain that “when such rules of the game are absent or weak, management and strategy scholars point to the presence of institutional voids, realities that can impact market formation, economic growth and development”. In such cases scholars explain the relevance of alternative local arrangements that “consist of complex interlocks of formal institutions such as constitutions, laws, property rights and governmental regulations and informal institutions such as customs, traditions, religious beliefs that not only enable but also constraint market activity” (Mair, Marti and Ventresca, 2012, p.4).

We know that in emerging economies markets and institutional environments are frequently characterised by the presence of informal rules (Vassolo et al., 2010; Hoskisson et al., 2005) and by different types of strategies that firms develop in order to steer their way through their complex and uncertain institutional environment (Marquis and Raynard, 2015). When Dixit (2004) defines alternative modes of economic governance, he refers to contexts where government cannot fully guarantee formal institutions and protection of property rights or enforcements of contracts. These insights are key to understanding many activities in the informal economy. Elements of institutional infrastructure such as defined property rights (Boudreaux and Aligica, 2007), governance structures and boundary rules (Ostrom, 2005) are considered components to facilitate market exchanges and transactions (Marquis and Raynard, 2015). But when informal institutions emerge, a polycentric system is created that transcends the typical governance structure, shaping relations between informal firms and the formal authorities (in which the two sets of actors effectively play a game of cat and mouse). For this reason, institutional polycentrism is a salient feature of many emerging economies.

### **5.2.2 Institutional polycentrism theory**

The initial use of the term polycentricity was Polanyi’s (1951). He referred to it as a spontaneous type of order for organising social tasks, characterised by “many elements ... capable of making mutual adjustments for ordering their relationships with one another within a general system of rules where each element acts with independence of other elements” (Ostrom, 1999, in McGinnis, 1999a, p.57). Thus, within a given structure of decision rules, individual actors will be able to make decisions within certain boundary constraints and are assumed to be able to assess benefits and costs of their decisions with a certain degree of risk and uncertainty (Ostrom, 1999, in McGinnis, 1999). Actors will then pursue strategies to improve their welfare. This polycentric approach can also be applied to firms and organisations of different types within a market environment.

Elinor Ostrom and the School of Bloomington of Institutional Analysis have applied the concept to governance studies. The approach developed by Ostrom was initially focused on the analysis of American metropolitan areas and metropolitan governance. According to Aligica and Tarko (2011, p.239) “the Ostroms explained that the variety of relationships between government units, public agencies, and private business co-existing and functioning in a public economy can be co-ordinated through patterns of interorganizational arrangements”. In this study I refer to polycentricism as the “spontaneous order in which multiple and independent decision-making centers and actors make mutual adjustments for ordering their relationships within a general framework of rules and norms” (Ostrom, 1999a; Ostrom, 1999b; in Batjargal et al, 2013). As Tarko (2013, p.29) explains: “the Bloomington school perspective on polycentricity is characterised by many centers of decision-making, many legitimate rules enforcers, single systems of rules, centers of power at different organisational levels, and spontaneous order resulting from free entry and exit”. Thus, there are certain characteristics of polycentric systems to be highlighted. On one side, the presence of a “multiplicity of decision centers” (Tarko, 2013, p.29), which in the context of La Salada would relate to the local council institutions, the local police and the entrepreneurs of the market. These decision centres are also legitimate rule-enforcers, meaning all of them can establish collective norms. Still, Tarko (2013, p.29) explains that “the overarching system of rules defining the polycentric system is analysed in terms of whether the jurisdiction of decision centres is territory-based or superimposing, in terms of whether the decisions centres are involved in drafting the overarching rules”. Finally, the spontaneous order suggests that entry into the polycentric system can be free, meritocratic, or spontaneous. In the case of a free entry, one of the decision centres have actively taken the decision to enter the polycentric order - a conscious decision was involved. Within this study I am going to explore the entry of informal entrepreneurs into a polycentric system where the other actors are the local police and the municipal institutions.

### **5.2.3 Robust action and proto-institutions**

Padgett and Powell (2012) discuss robust action and multivocality as a mechanism of organisational genesis. The authors state that “robust actions are noncommittal actions that keep future lines of action open in strategic contexts where opponents are trying to narrow them ... [and] may ensue when a central broker bridges two segregated blocks of supporters through distinct networks” (Padgett and Powell, 2012, p.24). Agents engage in robust action when playing the role of information broker between potentially competing networks.

According to Padgett and Powell (2012), brokers' identities need to be ambiguous enough for members of the different networks with which they interact to attribute different interests to the broker; in a sense, they need to "be all things to all people". Another distinctive feature of robust action is the notion of multivocality.

Robust action has been used to understand innovation by Hargadon and Douglas (2001), whose work highlights the multivocality of artefacts, texts and individual actions behind innovation processes. Furnari (2014) explores how multivocality allows for co-ordination among different actors, and Ferraro, Etzion and Gehman (2015) propose applying robust action to understand grand challenges broadly. This study combines all of these approaches to understand the actions of entrepreneurs in the informal sector responding to some of the grand challenges currently facing Argentine society via institutional innovations.

For Lawrence, Hardy and Phillips (2002, p.282) proto-institutions are "practices, technologies and rules that are narrowly diffused and only weakly entrenched, but that have the potential to become widely institutionalized". The authors refer to them as institutions in the making. In this study, rather than discussing the nature of the proto-institutions themselves, I focus on how informal entrepreneurs are capable of building proto-institutional outcomes. Additionally, rather than focusing on competition or collaboration, as in previous studies on proto-institutions (Zietsma, McKnight, 2007; Lawrence, Hardy, Phillips, 2002), I focus on how actors establish alternative rules and norms in their interactions with formal local institutions. The genesis of the proto-institutional outcomes is the result of that interaction. I will show in this study how informal entrepreneurs developed two specific proto-institutions: rudimentary property rights and intangible market infrastructure.

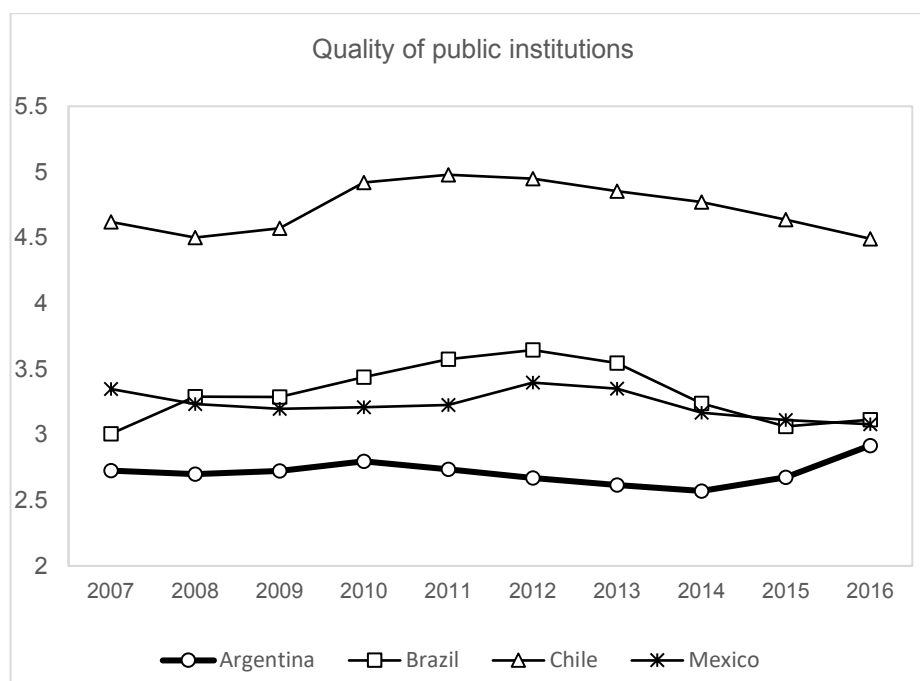
### **5.3 Research context**

This type of informal entrepreneurship is important in La Salada as those entrepreneurs embedded in settings characterised by poverty and inequality show similar entrepreneurial attitudes to those in, for instance, technology business settings (De Castro et al., 2014). Clearly, in such settings, many individuals start up their business driven by necessity rather than via a mainstream entrepreneurial process, although they are able to show the same entrepreneurial values (De Castro et al., 2014). Furthermore, in emerging economy contexts such as Latin America, the informal economy represents over 50% of all employees (World Bank, 2008). Other fields within the social sciences have examined the informal economy, for example economics (Alston and Libecap, 1996). However, within the field of organisation theory and

entrepreneurship, there is very limited research on informal entrepreneurship (Webb et al., 2009; Ketchen et al., 2014; Uzo and Mair, 2014) and even less in the context of Latin America (Vassolo, De Castro, & Gomez-Mejia, 2011). Often, past research looking at entrepreneurial contexts in Latin America has focused on local business groups (Khanna and Palepu, 2000), or comparative variations among countries (Acs and Amoros, 2008) but very little attention has been dedicated to organisational research on informal firms. Authors state that informal firms can be defined as “organizations that conduct market-based activities with legal goods produced and or distributed without regard for taxation or regulation (De Castro et al., 2014, p.4). Finally, current research on informality does not allow an understanding of organisational and entrepreneurial dynamics. In this sense, La Salada represents an outstanding research opportunity as it is considered one of the largest informal markets worldwide, which provides us with fertile ground for enhancing and expanding our understanding of the field.

La Salada emerged officially in the early 1990s due to the collapse of the textile industry in Argentina and the loss of employment by many Bolivians, who used to work within the textile value chain. Since then, increasing economic inequality has offered the right conditions for this organisational field to prosper (Gasparini and Tornarolli, 2009). In early stages of La Salada’s development, macro- formal institutions did not pay much attention, as if they hadn’t noticed it (Giron, 2011); later, they seemed rather to deliberately ignore it, as if *pretending* not to have noticed it. Macro-public institutions have not effectively worked to either enforce the law or to find appropriate mechanisms to build upon this emerging phenomenon for the country; for decades, macro-institutions have been mainly conspicuous by their absence in tackling this issue. Below, I show the evolution of the quality of public institutions in Argentina against the backdrop of some leading Latin American countries. As part of their Global Competitiveness Report, the World Economic Forum (WEF) provides various measures of country competitiveness. Among them, the quality of institutions is one of the most important. The WEF (2015) suggests that the quality of institutions is related to the misuse of power for private gain, corruption, which undermines the allocation of public resources and also the efficiency of the public sector, including efficient administrative services, and above all a stable policy environment. The latter is central as it affects firms’ choices about their future. Finally, the separation of powers and independence of the judiciary are fundamental components of the quality of public institutions.

Figure 13

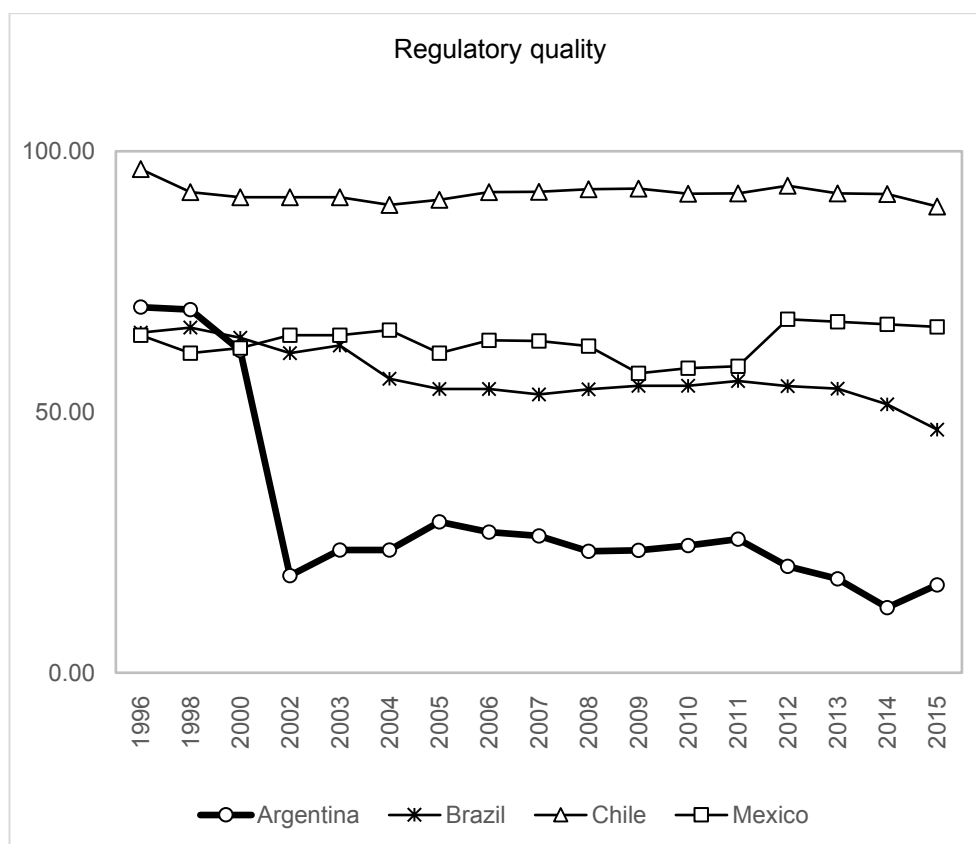


Source: WEF Data.

Figure 13 shows the strikingly negative performance of Argentina in this dimension. When compared with other important Latin American economies, namely Brazil, Chile and Mexico, Argentina displays the worst performance. Furthermore, if we look at its evolution during the last 10 years, it can be noticed that the country has not made any substantial progress.

The World Bank has elaborated an index named The Worldwide Governance Indicators (WGI). The WGI approach conceptualises governance around the notion of institutional quality and how power is exercised. I focus on two of the most important ones: regulatory quality and the rule of law. Regulatory quality refers to perceptions of the ability of a government to formulate sound policies and regulations and promote private sector development. Rule of law indicates perceptions around the extent to which individuals trust and abide by the rules of society, including the enforcement of property rights and the independence of courts and police. As we see in Figures 14 and 15 below, in both cases the performance of Argentina is very poor, the worst among the selected Latin American countries and among the worst worldwide.

Figure 14

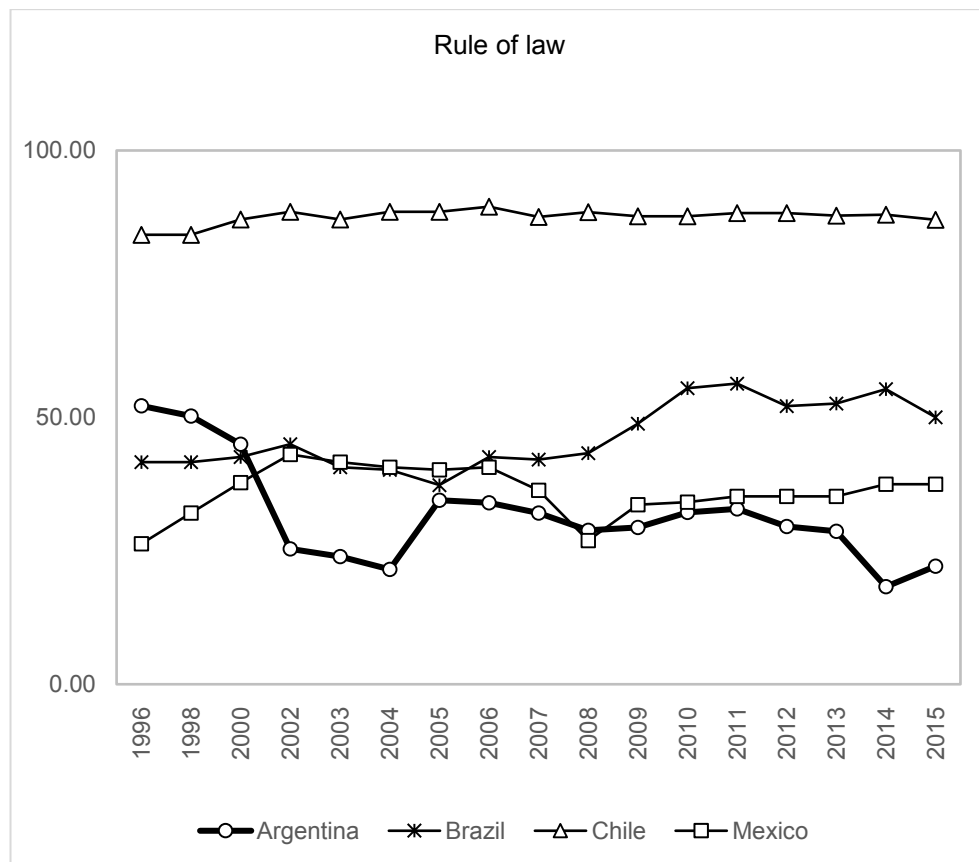


Source: The World Governance Indicators – World Bank.

Figure 13 highlights Argentina's negative performance in terms of perceived regulatory quality and its negative evolution during the last ten years. While during the mid-1990s it was similar to other countries in the region, such as Brazil or Mexico, the last decade has seen a dramatic deterioration, due to the decline of the quality of formulation and implementation of policies and overall regulations.

Figure 13 also shows a deterioration of the perception of the rule of law in Argentina during the last decade. This indicator is an illustration of contract enforcement, property rights, and overall trust in the rules of society, all of which are connected with the emergence and growth of informal entrepreneurship.

Figure 15



Source: The World Governance Indicators – World Bank.

Figure 15 helps to illustrate the context where the institutional entrepreneurs of La Salada have been embedded, a context where weak and/or ineffective macro- institutions would be substantially unable to interact with them. Consequently, informal entrepreneurs have had to interact with lower-level institutions, particularly the local council and local police forces, in what I define as a polycentric institutional system of governance.

#### 5.4 Data analysis

This study aims to understand how informal entrepreneurs enter a polycentric system where they interact with lower-level institutions and exploit opportunities in a context of little rule of law. I follow an inductive, qualitative, and grounded approach (Glaser and Strauss, 1967), to discover the unexpected. Accordingly, this study is intended to generate new theory, and aims

at presenting a new process model. My principal data-set includes a four-month organisational ethnography of La Salada. The data-base also includes 75 in-depth interviews and relevant archival data.

I analysed the data following the prescriptions for naturalistic inquiry (Lincoln and Guba, 1985) and constant comparison (Glaser and Strauss, 1967; Strauss and Corbin, 1990). I initially drew on the multiple stories from the interviews, my field-notes and several documents gathered to build narratives about the different organisations (ferias) to obtain the first insights into how these informal entrepreneurs entered the polycentric system of local formal institutions and how they interacted with them. This procedure was an iterative one for examination and comparison of key events (Isabella, 1990), in which our understanding of the historical events as they emerged from the first stages of analysis was checked with key informants within La Salada, and with key stakeholders.

Following Langley's (1999) procedures on process research, I conducted several phases of analysis. Initially, I built a list of key chronological events, actors involved, key activities, raw data (including field-note observations, quotes from informants, policy and media reports and other documents such as books published about La Salada). In a second stage of analysis, I identified institutional polycentrism (a spontaneous order that emerged as the informal entrepreneurs of La Salada interacted with formal institutions and gradually inserted themselves into the existing institutional order), robust action (Padgett and Ansel, 1993; Padgett and Powell, 2012), and brokerage work between different segments (lower-level institutions, which in our context are municipal government and local police). To identify this polycentrism, I looked for evidence of weak or non-functioning macro-national formal institutions. In the context of La Salada, the Ministry of Labour was not capable of acting against the rise of La Salada as an informal market. In the interview, the minister himself explained to me the nature of the institutional conflicts between his ministry and that of the Secretary of Commerce, who backed this market and its growth. He pointed out that the different government levels had different interests in the same matter of the informality (cf. Ostrom, 1999; Garcia-Rincon, 2007; Webb et al., 2012; Batjargal et al., 2013).

Next, in the third stage of analysis, by deeply consulting field-notes and raw data, using the literature on institutional polycentrism (Ostrom, 1999; Webb et al., 2012; Batjargal et al., 2013) but remaining open to phenomena emerging from the data, I looked for evidence of how informal entrepreneurs interacted stably with the lower-level institutions mentioned above. Following grounded theory procedures, I continually compared the emerging theoretical categories with the gathered data, while remaining open to different theoretical

understandings, looking for processes when analysing people's meanings, perceptions and experiences (Glaser and Strauss, 1967; Charmaz, 2006). In the coding phase, each interview was coded separately for processes, with a focus on actions (Charmaz, 2006). I then moved to first-order concepts (or what grounded theorist Charmaz calls first-order categories) and second-order themes (Corley and Gioia, 2004), looking for the actions, with a more selective approach to capture more genuine meanings. I looked for relations between first-order categories, then moved to a higher level of abstraction and thus obtained second-order themes. According to grounded theory guidelines, the second-order themes are aggregated into overarching theoretical dimensions. This process involves both inductive and abductive reasoning, in which plausible theoretical explanations for the emerging data are considered by checking them against the data until the most plausible description is reached (Charmaz, 2006). I compared them with the literature on institutional polycentrism and robust action. Second-order themes included informal entrepreneurs' work to take advantage of the institutional polycentrism (e.g. "establishing rules", "highlighting lack of enforcement", and "stabilising the market activity") as well as robust action work (e.g. "negotiating with the police and the local council" and "taking advantage of one's networks"). I later cross-checked how informal entrepreneurs would take advantage of institutional polycentrism and robust action to exploit their networks. On the final level of abstraction, I also sought evidence of outcomes of the robust action of the key actors, the informal entrepreneurs of La Salada. I consequently identified two substantive outcomes produced by these processes: creating tradable and rudimentary property rights, and building intangible institutional resources.

## **5.5 Findings**

In this section, I highlight the evidence from my data set. Table 1 shows the categories emerging from the data analysis. I identified four phases of the robust action of informal entrepreneurs within a spontaneous polycentric order, generating proto-institutional outcomes: 1) perceiving absent or flawed enforcement of macro-institutional rules; 2) organising relationships between the Bolivian community and local authorities in a way that stabilised the relationships between these parties; 3) establishing a dominant position within a polycentric governance system; and 4) generating proto-institutions. The proto-institutional outcomes are the creation of economic property rights, and the generation of intangible market infrastructure. Economic property rights for informal entrepreneurs are unusual as one of the features of their conditions is the lack of any land title or registration. The intangible market infrastructure covers the creation of neighbourhood and market safety. Within a context such

as the area where La Salada is located, thefts and lack of physical security were a great threat for both entrepreneurs and customers. This outcome allows both clients and workers to attend La Salada knowing that a certain degree of safety is guaranteed and that physical violence is less a concern. These phases illustrate the self-co-ordinating, spontaneous governance system characterised by particular context-embedded rules and norms between informal entrepreneurs and formal local institutions (Ostrom, 1999; Batjargal et al., 2013). Table 12 below provides the qualitative evidence of each phase.

**Table 12**  
Sample of qualitative evidence

<b>PHASE 1</b>	
<b>Perceiving absent or flawed enforcement of macro-institutional rules</b>	
<b>ACTORS:</b> Founders of La Salada.	
<b>MICRO LEVEL:</b> <i>Highlighting the ambiguity of law, lack of co-ordination, and conflict between macro- institutions.</i>	<b>MACRO LEVEL:</b> <i>Leveraging the institutional centres that legitimise the work of informal entrepreneurs.</i>
1.1 <i>“I think it starts from there, the municipality [local council], but also others because the problem of La Salada not only affects the area of Lomas de Zamora. Then it is not only that. I think the government doesn’t do anything because it is a very good source of income. It is money that can be used in political campaigns, to support the politicians who accompany that, for sure. Because or until now at least, it was a problem that could be handled. At the time they went to control the copyright issues within the market. Famous brands made a lot of noise but nothing happened. ... After that conflict it has become popular, has become a phenomenon, to be the swordsman of the poor.” (Stall owner)</i>	1.4 <i>“We were invited by the Government Secretary of Commerce Guillermo Moreno, and we believed it was a good opportunity. Despite the fact that some people discriminate against us, today we are fully capable of exporting everything we manufacture in Argentina, to almost everywhere in the world; we recently provided the full list of entrepreneurs of La Salada that will be part of this journey.” (Consultant of CEO of La Salada)</i>
1.2. <i>“At Puente 12 they sold clothing that they bought at first from manufacturers, and they resold it. It [was] not like now that they are [bpth] manufacturers and traders. At that time, they were merchants [only]. They</i>	1.5 <i>“But it is not only that it is the largest informal market place of the Argentine Republic. It’s the informal mall because everyone calls it informal. In Argentina we are all informal.... In Argentina everything</i>

*bought wholesale, [and then] distributed ... and sold in street stalls. But they were bothered by the police, the people, the crowd, the neighbours complaining and 'colectiveros' (bus drivers) complaining too. Then the police came and made them [the Bolivians] run. But they ran, and after two hours they came back, and like six months, eight months, I cannot remember, went by. Then, one day a police chief says, 'Look, why don't you go to a place where no one will see you?' And he adds: 'Here is a place where no-one is going to disturb you'." (Stall employee)*

1.3 *"La Salada has more facets; I find that world fascinating, like the Mercado Central – which is also a product of [Secretary of Commerce] Guillermo Moreno. Moreno encouraged the 'changarines', he encouraged informal work. I didn't have a good relationship though. ... To me this and other conceptions were too primitive, and I told him this whenever I had the chance. I mean, he is someone who had a lot of power, who could really see through, he was a strange individual in a government who generally worked against informality. He gave a clumsy sense of growth. But it was growth in the end." (Top government official)*

1.6 *"I saw that there were several contraventions of all kinds [...] So I went to speak with different departments within the state, both at the local, provincial and national level, to encourage a co-ordinated action. But I couldn't persuade anybody, until I was done waiting and decided to face it on my own. When we tried to deal with this, around 2002 or 2003, it seemed to me that the state had already lost control of the situation. Traders that are victims of these institutions, which are outside and discredit the state, ultimately believe that what they are doing is right. They think it is okay to try to pay less. It is the lack of legitimacy of the state that in some cases gives a false legitimacy to informality. Stallholders might think: 'I don't pay taxes, but I pay the police and I pay this and I pay that'." (High-level policy maker)*

## PHASE 2

### Organising relationships with local authorities

**ACTORS:** Workers and founders of La Salada.

**MICRO LEVEL:**

*Interacting with lower-level formal institutions (municipal and police).*

**MACRO LEVEL:**

*Establishing rules and norms of mutual adjustments.*

2.1 *"The police were chasing them every time. But because it was that fear of the police that had been pushing them, splitting*

2.4 *"Well, and the extra money [paid to the police]. And you've heard that now. I hired four policemen to take care of me there. It's*

them, because they had no documents, because they had no permit and were asked to pay bribes. Then they were all evicted. There was a person, Gonzalo Rojas, who noticed something: that the Bolivian would typically fear and run. So, what did he do? He was big, very strong. And then he started negotiating with the police. He said 'Look, if you let us sell, we'll give you some.' Because he knew the cops were corrupt. So, what he did was ... he said [to all his fellow Bolivians], 'Well, I'm going to take care of it, but you give me a fee so I can pay you.' Then what about him? I asked, what do I know? He took 200 pesos, he kept 100 and gave 100 to the [bribe recipient]. Then he took on the role of the leader." (Manager of microfinance institution)

true. But I pay them to work. I pay them and I tell them: 'You stay here, and you stay here', working. ... In fact, there are many ways you can give them money: one is to silence them, another is to make them do their job, and the last one is to make them do it right. So, I don't pay a bribe, I pay for their service. And I don't feel guilty for that." (Top manager of La Salada)

2.2 "They take you and steal from you. Because a policeman comes and seizes your products. They tell you, for example: 'You are selling all this.' You have 100 garments, I don't know, 100 shirts. Then comes the police chief. First what he does is he grabs all the clothes and puts them inside the patrol truck. And then he grabs and leaves three garments, four garments. And he calls witnesses and says, 'You, you and you, witnesses.' Then he says to them: 'Look, this person has found him selling four garments that are Nike brand, I do not know, and that is forbidden.' Or: 'You are selling in one place and you do not have the right to sell because you do not pay taxes, so we are going to have you arrested. Do you see, do you witness that this person has four garments?' And one says to him: 'Yes, because I see four garments'. But what about the garments inside the truck? So, what do they do? They make you sign something. The witnesses also sign a document and you are made to sign the same document, first blank, and then ... first they

2.5 "We made the negotiations, we talked with the municipality, with the security forces ... going to negotiate was something new [to us], we learned it at the time ... we had to find agreements with them in order not to be hurt, to save the people's merchandise they had seized." (Urkupina CEO)

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*make you sign the blank document and then later they fill it out.” (Stall owner)*

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2.3 *“Later he went to negotiate. Then he said: ‘Let’s start renting this and establishing ourselves. Then we will have a place. A place where we don’t have to run anymore.’ But when it began to make noise, the municipality of Lomas de Zamora started to bother us. Gonzalo was arguing that La Salada was legal, so to ... but [what] did he do? Again, he went to speak. But no longer with the police, [he] began to make contacts with other people working for the local council. ... Then the arguments began to settle, the fights we had either directly or indirectly. Then the Mayor of Lomas said: ‘I want you here to be the price makers, you have to challenge those of the shopping centre’.” (Quote from a book written by a journalist)*

2.6 *“Everything is organised here. There is a respected code between neighbours about not selling the same goods. If you are new renting or buying a shop, you have to respect the others and sell different merchandise. That rule is highly respected, even if this looks like a big chaos, everything is well organised here.” (Stall employee)*

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### PHASE 3

#### Establishing a dominant position within a polycentric governance system

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**ACTORS:** Founders of La Salada.

**MICRO LEVEL:**

*Network-bridging strategies.*

3.1 *“If for example you wanted to grow and wanted to keep the business attracting people from the rest of the country and other neighbouring countries [i.e. Brazil, Uruguay, Paraguay], then the question is how do I do that? He began to publish advertisements on the webpage of La Salada, showing the products. We started as if it was a fully legal business. And it has been consolidating since then. That’s why he also said, ‘I’m the one who brings the buyers here, you should pay me.’ So, what did he do? He guaranteed the safety of the buses arriving here with customers because he himself organised the logistics of these buses from the interior and neighbouring countries.”*

**MACRO LEVEL:**

*Implementing speculative multivocality.*

3.4 *“There was the issue of the inspections from the Police (Gendarmeria) and the AFIP (Tax Enforcement Agency). People who had some contact by paying a monthly fee (a tax-bribe), knew that that day they did not have to go to sell. ...Then you pay, and you want to be notified (in advance) when they are coming to be ready. You look, you just pay. So, within your monthly quota there is a plus. You pay, I’ll take care of you. ...And that’s the case in [the ferias] Urkupiña, Ocean and Punta Mogotes.*

*And who you pay because ... see, it’s a business where everyone wins. Unfortunately, the police here ... why do they join this? And the government will not be able to solve it. I have heard that ...a policeman earns 8,000 pesos. Of those 8,000*

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*“What happens is that Castillo ... has to be right with God and with the devil, that’s how he can keep safe. On the other hand, the others, Antequera for example, why did he ally himself with Gonzalo? Because he [Antequera] is Argentinian and served him for certain things. The other was the one who handled everything. That is why Antequera has well incorporated the model of Gonzalo [Rojas] that was based on having key contacts and paying bribes. Antequera knows what he is playing with; once you get into that you know that is not easy to get out, you cannot set conditions.” (President of a microfinance institution)*

*you have to buy the uniform, the bullets, the weapon. He buys them. How much do you have left? So, do you think that with what you have left you can maintain your family? He has no choice but to make his other incomes. He abuses authority. So, the police will agree to shut down there? No. At the same time the policeman can be one that is handled, but if more cops know about it, then who knows? The commissary. And he ends by saying, ‘No. Okay, I’ll let you do this, but I want my share too, and go ask him for this.’ So, it’s like there’s an internal mafia inside the police. Now the commissary knows. If the commissary knows, who knows? The municipality knows, and in the municipality, you ask Martín (Insaurrealde, mayor of Lomas de Zamora).” (Manager of microfinance institution)*

*3.2 “We made the negotiations, we talked to the municipality, to the security forces ... going to negotiate was something new [to us], we learned it at the time. ... We had to find agreements with them in order not to be hurt, to save the people’s merchandise they seized it.” (Urkupina CEO)*

*3.5 “But he is also surrounded by people who also have their own powerful contacts and known other people, because he, for example, where did he learn that? By cultivating relations. It’s like those who have not had any formal education, but have that ability, well if they surround themselves with a person who compensates for the skill, he is surrounded by those type of people.” (Stall employee)*

*3.3 “The functioning of La Salada obviously requires various mechanisms within the Justice, the different state jurisdictions, the police forces and the political power to come together. Not only do they put the buses, they also bribe the provincial and federal police, judges, attorneys. They do everything so you can go and buy without being disturbed.” (Important local senator)*

*3.6 “And then I think he finished rounding the business. The last aspect that surprises me is that instead of hiding from the press, he is seeking the attention of the media. I think there are two things, first to demystify what La Salada is. While La Salada is not clean, it has those clean parts. So, showing this part that is clean. All the rest doesn’t matter, he doesn’t care, besides he says ‘No, I have nothing to do with that, I have to do with this part, which is good.’ Then he shows all the things, the successful figures, but also answers questions about a dead man near the market. Secondly, he also does talk to the media to take care of himself too, I believe ...*

*physically. Because a few have wanted to put him down, but now he doesn't run the same risk because he is a public person and has political links, not only with the Radicalismo, but also with the authorities of Lomas, who are Peronistas.” (President of a microfinance institution)*

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#### PHASE 4

#### Generating proto-institutions

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**ACTORS:** Founders of La Salada.

**MICRO LEVEL:**

*Creating tradable and rudimentary property rights.*

4.1 *“He started selling property rights - shares of the market stalls when it was not yet his own property. But he sold them, saying, ‘This is going to be yours, if you pay me when I sell everything, we will give you the deed.’ There was never a ‘mainstream’ property rights paper. Where would he get the money if he had nothing? In fact, he put a big amount of money together and saying, ‘Ready, yes, I’ll pay you half and we’ll mortgage this and I’ll pay you.’ Then it was with the rent plus the fees that he was going to collect the rest of the money ... it was going to be a great business for him and Antequera, his wife and others, who at the time founded the place and asked the other partners to pay something like USD 5,000, with the promise that they would have their own plot [some sort of legal deed]. After that, those who had a good relationship with him certainly got it and become owners.” (Former manager of La Ribera)*

**MACRO LEVEL:**

*Building intangible institutional resources for neighbourhood and market safety.*

4.4 *“Look, from what I understand, the owner [Castillo] made the streets and even organised the bus logistics and transport over here, right? You will see security in the neighbourhood everywhere. Many neighbours who have set up a stall have been helped by these people. They used to live in very precarious places and they have a beautiful house now. Many people started to have a stall here. But I do know that Castillo did a lot in the neighbourhood. Obviously not for us, but for people from the outside, the businesses that arrive here for example. He improved the infrastructure and the security people are everywhere, many times it happened that the micros did not arrive. Buses couldn’t arrive here, they were robbed, they stole everything. In other words, now there is security everywhere, wherever you go it’s safer.” (Stall employee)*

4.2 *“One comes out and another one comes in. Those who own the booths do not sell but they live off the rent. Then the title is valuable ... if I say: ‘I own a stall in La Salada’, it is just so.” (Stall employee)*

4.5 *“This is the safest place you can find. I sometimes tell people that here is the safest place, here inside is the safest place overall. ... Here, a long time ago, I’ve been here for 17 years and never been robbed. I tell people that this is the safest place, and they laugh at me when I tell them. It is the safest place here in Argentina. And yes, if you work with cash*

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*all the time, not with a gun, nor with a knife, people will not steal anything.” (Stall employee)*

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4.3 *“The three acres of land, but also the rest of the lots that they (the feria) would be buying over the years, were registered in the ‘Registro de la Propiedad Inmueble’ [Real Estate Registry] in the name of Urkupiña S.A.” (Document from a book written by a journalist about La Salada)*

4.6 *“And the last thing he did that made him successful was to build his security force. From La Noria Bridge, up there it is his territory. The person who steals is a person who dies. You cannot rob anybody there. This gives security to those who are there.” (Stall owner)*

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Source: Author’s elaboration.

### 5.5.1 Phase one: perceiving absent or flawed enforcement of macro-institutional rules

When it first emerged, La Salada was embedded in an institutional context characterised by weak or absent macro-institutions. As a consequence, a spontaneous polycentric governance order grouping both the informal entrepreneurs and formal local institutions (such as the local council of Lomas de Zamora and the local police) arose, to leverage institutional centres that can help legitimise the work of informal entrepreneurs. In this first phase, the workers, entrepreneurs and owners of La Salada came to an understanding of the ambiguity of the law and the conflicts among institutional centres regarding informality. Arriving at this understanding was necessary for them to learn how to deal with the situation, something which began to occur in the second phase. Different institutional centres treated La Salada differently, and this gave rise to the informal entrepreneurs’ realisation that it would be possible to undertake institutional work to take advantage of these institutional inconsistencies by leveraging those institutional centres that legitimised their informal activity in the struggle against the other centres that sought to impede it. In other words, the informal entrepreneurs perceived the regulatory vacuum left by the weak, national-level macro-institutions that they and certain local institutions could fill. Informal entrepreneurs were capable of highlighting the incongruences between different institutional centres, as in this quote from an informant who was deeply involved with La Salada:

*“The man from the ARBA (Tax Enforcement Agency), who was above all ... Montoya. That he was wearing a security vest during the tax raid at La Salada. It was a phenomenon, it was a circus act really, because he was wearing his vest and everyone was laughing at him. That was a person that everyone thought could not really*

*bother us, do you understand me? And where is he now? Because it is not a question of a person, it is a question of the people above, which include the police, the local council and even the justice system.*

(One of the CEOs of La Salada)

In this context, the informant highlights the lack of credibility of the Tax Enforcement Agency during their inspection at La Salada. People perceived a person from this agency as having little legitimacy and did not fear any potential consequences of his presence in the market. The informant also points out that Santiago Montoya (the director of ARBA) was perceived as a man on his own, without the solid institutional support behind him that could have made him a real threat to the informal entrepreneurs of La Salada. Finally, the informant also makes a statement on the implications of this lack of credibility by pointing to the behaviour of local institutions such as the local council, local police and the local justice system. This last insight is critical, as it suggests that the absent enforcement capabilities of macro-institutions were already compensated for by a lower-level set of formal institutions and their interactions with the La Salada entrepreneurs (Webb et al., 2009). Additionally, leading informal entrepreneurs there suggested that the lack of enforcement capabilities was causing further damage to macro-institutions:

*“I think the government must be losing around 10 million pesos in taxes because the activity is not regulated. So, it is illegal because it is not regulated. If it was, then there wouldn’t be any problem. I was once in Italy and I saw the street vendors using a ticket machine. Why can’t we do the same here? Well, because there is no regulation or order and that is when all these gangs come into play.”*

(Punta Mogotes, CEO)

Here the informant suggests that the state (national institutions) has an ineffective and misguided approach to informal economic activity. He points out the resultant shortfalls in tax revenues, suggesting that the state does not understand how to effectively regulate this economic activity and is probably incapable of collecting these revenues. To support his argument, he makes a contrast with the organisation of informal economic activity in another (European) country to emphasise how in different institutional contexts, informal entrepreneurship is organised more rationally. Discussing this relationship of macro-institutions with the informal sector in a similar vein, a top government official argued that:

*“On many occasions, the states of almost every country, even developed countries, have generated free zones. For example, there are the maquilas in Mexico, and we have La Salada. La Salada is a result of the lack of state, of a market failure, or maybe a market success, because the market does discriminate.”*

(Top government official)

This official explicitly suggests that macro-institutions often create zones of exceptions in the application of the law to informal entrepreneurship. He compares La Salada with the Mexican outsourcing system of maquiladoras, where US firms can outsource production and/or labour at much lower costs. In this case, he openly suggests that La Salada guarantees inexpensive products and is somehow capable of operating where the state lacks capabilities. This is in line with findings that the lack of co-ordination between different state agencies and weak policies favours informal entrepreneurs (Garcia-Rincon, 2007). Informal institutions, then, alter the outcomes of formal rules, but not necessarily by clearly violating them (Helmke and Levitsky, 2004).

### **5.5.2 Phase two: organising relationships with the local authorities**

Within phase two, I highlight two categories: interacting with lower-level formal institutions and establishing rules and norms of mutual adjustments. In the first process, the evidence shows the content of the interaction between the informal entrepreneurs and the municipal level institutions. It demonstrates that this relationship was characterised by formal institutions trying to get as much money as possible from the entrepreneurs. The informal entrepreneurs are capable of negotiating with lower-level institutions and finding agreements. In the second process, the informal entrepreneurs establish and formalise norms and rules with both the local council civil servants and the local police. They are not simply negotiating or responding to the demands of lower-level institutions; they begin to take advantage of operating in the shadows of the law. One stall owner provided insights into how the initial interactions between informal entrepreneurs and local institutions took place:

*“The police: let’s suppose there’s a CD music stand, selling CDs, movies, etc. To every police officer that passes by, you have to pay, but you get everything then. Because the CD is also illegal. It’s all illegal here. Here, you do have to settle with cash. Just cash. Here, if you don’t fix things by paying cash, you lose everything.”*

(Stall owner)

Here we see that the early interaction dynamics between the local institution of the police and the entrepreneurs of La Salada were based on simple bribe transactions. The only way to establish a functioning dialogue with the local police is by paying them a bribe. The police, rather than enforcing the law, would retain the merchandise or ask for money in exchange for allowing the stall-owners to keep undertaking this activity. The informal entrepreneurs point out that paying the local police is the only mechanism that guarantees stability without risking losing their business. One very important leading partner of La Salada provided an additional insight in this dialogue about local institutions:

*“No, it’s fine but I pay you because I’m a public person and they look at me. So, I’m in the eye of the storm and then they want to know why I can sell you a pack of noodles at five pesos. I take you to the noodle factory and I show you that all the people are white, do you understand me? So why don’t we keep the laws for everyone? Because I can assure you that one thing I understand is what my job is really about. My job is to turn things around. Here comes the political power and other types of powers.”*

(Partner of La Salada)

Here, the informant openly admits that he chooses strategically to pay (the police and/or local council inspectors), because he is a publicly known person and consequently prefers avoiding unnecessary risks. He acknowledges that he is sometimes questioned because he sells clothes or food products very cheaply, pointing out that this is due to the fact that he is informal and does not pay taxes. Yet, he explains that his job involves dealing with different centres of power, including elected local politicians and the police. Thus, his job depends on his being capable of managing these relationships. This type of institutional entrepreneurship is in line with Dixit (2004), who states that in a context without the adequate application of the law, individuals will have much to gain if they generate alternative institutions to provide the necessary economic governance. An external informant who knows La Salada refers to this relationship in this way:

*“Perhaps the success of La Salada has to do, among other things, with representing. ... That they managed to constitute a kind of business leadership that represents [the informal producers and sellers] and gives them a place at the bargaining table, where they discuss exchanges and protection of that market, just like any*

*entrepreneur of any level. That is the point. The magic there resides in the fact that there is a popular business elite.”*

(Top government official)

The informant refers to the importance of La Salada's institutional entrepreneurs as being capable of establishing a dialogue with institutions, with the real power, in order to discuss their interests and protect and consolidate the market. This dynamic is not necessarily always smooth, and in phase three we observe the next stage of its evolution. As Ostrom (2005, p.286) argues, “polycentric systems can generate considerable conflict among the various units at multiple levels due to their interdependence”. This phase supports the hypothesis of Webb et al. (2012) that ambiguous jurisdictions and conflicts among institutional centres are positively related to entrepreneurs exploiting opportunities in the informal economy. It also suggests that lower-level institutions can effectively substitute for weak higher-level institutions (Lawrence, 2002).

### **5.5.3 Phase three: establishing a leading position within a polycentric governance order**

The third phase is characterised by more substantive action by the institutional entrepreneurs of La Salada. In this phase they become a power in their own right, which gives rise to a polycentric system. Once informal entrepreneurs had established their relationship with local institutions, they moved to a more sophisticated form of action in which they played off other power centres against each other. Within this phase, I identify two categories of activity: network bridging strategies and implementing speculative multivocality. The first refers to how the informal entrepreneurs of La Salada strategically approach both the police and the local council in order to build longer-term agreements. While in the previous phase the attitudes of the entrepreneurs of La Salada were more passive, accepting that they had to pay bribes or fees to different actors, now they were more proactive in trying to bridge different networks useful for their business. The second category is the implementation of speculative multivocality. People like Jorge Castillo (the CEO of the largest feria in La Salada, Punta Mogotes) used this tactical multivocality by cultivating networks on both sides in order to construct a more solid and stable power. People working with Castillo explained his work thus:

*“What happens is that he has a good relationship with ... the government. He may belong to the Radicalismo [Radical Party] but when discussing business matters he sits down to talk with whoever*

*he needs to. He was very close to [former Secretary of Commerce] Guillermo Moreno. ... They were travelling and everything ... And Castillo knows how to sell that image to justify his work. He tries to make people see that La Salada is a place that many can afford; and it creates jobs, it is full of workers.”*

(President of microfinance institution)

The informant above explains how well-connected Castillo is within the Radical Party (one of two historical political parties of Argentina). He has friends within that party and has weekly meetings with some of them. He also has a friendship with a top government official (Guillermo Moreno, belonging to the Partido Justicialista, historically the leading party in Argentina) and they have travelled together on official diplomatic missions of the Argentinian government. This shows how successful Castillo is in cultivating different networks within high-level politics, regardless of his own views. Furthermore, the informant points to Castillo's skills in leveraging these bridging activities with high-level politicians so as to improve the reputation of La Salada and to justify in compelling ways their work and their message of being a place with affordable products for a large mass of people as well as one that generates employment.

To explain the second category, speculative multivocality, I refer to an entry field-note (accompanied by an audio recording) of a conversation between one of the partners of La Salada and the then President of a leading local bank (currently he is a top government official). This entry field-note reports on the capability of institutional entrepreneurs of La Salada to take advantage of the brokerage work between contradictory networks, in this case the political network. The entry reads:

*The CEO introduces me to the banker, the president of a well-known bank. They start to talk about different problems that they see in the area ... the banker said that ... it is a state-government problem [referring to the state of Buenos Aires] and not his problem ... the CEO mentions that he is paying a lot of taxes for the cleaning of the streets, garbage-tax, and also, he is paying for his own private security. He talks about the informal street vendors of the capital city of Buenos Aires and how the political party close to the banker is dealing with them. According to him they are doing it wrong because they are simply moving people from one place to another.*

*He also openly says that it is common for informal workers to have to pay the police and the inspectors of the local council. They then start to discuss opening a bank or a branch of a bank at La Salada. The CEO mentions the potential advantages of substantial financial inclusion for the people of the area. He says once the first bank comes, more will follow. He also says that it would help to further legitimise their business activity and that it can be a good business for his bank. To convince the banker and his deputy, he explains that all the activity in La Salada runs exclusively on the basis that within the whole area of Lomas and Villa Pompeya, there are more than one million people who are not formally included in the financial system, who need to take a bus in order to reach a bank. The banker asks whether all stall owners would be willing to formalise. The CEO responds that people need to learn; he refers to his own experience when he was selling shoes on the street, years ago, without paying any taxes. He adds that once he started to grow financially, he started to pay his taxes, declare his employees, etc. Nowadays, he says, he pays taxes in his own company and has plenty of fully-declared employees.*

*Afterwards, he goes back to the strategic aspect of being at La Salada; he says that customers come there to buy from neighbouring countries, Paraguay, Uruguay, Brazil, and more buses and trucks go to do more business. The banker listens and suddenly asks how they would handle the hypothetical branch there. The CEO quickly replies that he has a place. The banker asks if he really has a good spot for the branch. The CEO says yes, and points, “within the market, next to the main street so that you can work every day and not only the opening days of the market”. Someone working for the CEO jumps into the conversation, highlighting how profitable the branch could be given the large number of people that attend the market every week. The CEO again starts to refer to the relevant role of La Salada within the large spectrum of people living in poverty and slightly above poverty. He says that all these people in Argentina are nearly 50% of the population. The banker, who is an economist, agrees that the estimate is correct. The CEO says,*

*anyone who is below middle class comes here. He invites the banker to come on a Sunday morning to see the number of people who come, and what people buy, referring to brands like Adidas, Nike, etc. He also mentions that there are more than 40 micro-enterprises that would benefit from having a bank there. He suggests that politically speaking it would also look good for his bank and its links with [current Argentine President] Mauricio Macri's political party.*

*In the end, the banker requests to see the proposed place for the new branch. They agree, and we were all conducted to another part of the building where the CEO shows us around. The banker asks whether the place could be cleaned properly. They discuss logistics of the branch and details. The banker does not seem fully convinced but then the CEO shows him another nearby area and the banker seems more convinced. He says he likes it because it is bigger and better located.*

Here, it can be noticed how La Salada's key institutional entrepreneurs, took actions which could be interpreted coherently from multiple perspectives simultaneously. In our context, the multiple perspectives are essentially those of politics and the police. This account reveals something quite unique: that is, formal institutions (represented by a top-level politician and banker) who decide to engage with the informal economy. Past studies have tried to explain processes of formalisation of businesses, how informal firms may become formal ones. My account, by contrast, discloses that the institutional entrepreneurs studied here are able to recognise and exploit the brokerage opportunities that present themselves at the point where the formal sector meets the informal sector. The first is based on augmenting the legitimacy of informal economic activity as a source of income and employment for many; secondly, it also acknowledges how a formal economy organisation such as a large bank identifies business potential in entering the informal economy and potentially reaching millions of clients. In this account, it can be noticed that the robust action brokerage of individuals such as Castillo emerged through the link between his old police power base (see previous mechanisms where I show the relationship cultivated with the police) and his more recently constructed and articulated political networks. It highlights that Castillo's robust action is a form of strategic action in a competitive setting embedded in the informal economy (Leifer, 1991). It also suggests that this form of robust action is characterised by showing credible multivocal interests precisely because of the contradictory feature of the base of support of these informal

entrepreneurs (Padgett and Ansell, 1993). Castillo is undoubtedly perceived as a skilled broker between different networks and that is considered a critical skill. Furthermore, multivocality is important because it allows La Salada's entrepreneurs to co-ordinate more successfully between diverse networks, in particular politics and police (Furnari, 2014).

#### **5.5.4 Phase four: generating proto-institutions**

In the fourth phase of La Salada's entrepreneurs' robust action, we observe the consolidation of important proto-institutions. The first process I identified is the creation of tradable and rudimentary property rights. This process illustrates the creation of elementary institutions, including rules, social norms, or practices (Aoki, 1991; Lawrence, Hardy and Philips, 2002). These rules or practices "can become more or less institutionalized, depending on the extent of their diffusion and the strength of these self-activating mechanisms – the set of rewards and sanctions" (Lawrence, Hardy, Philips, 2002, p.282). These rules or practices, then, are partially diffused but have the potential to become fully institutionalised, as proto-institutions. They represent a form of evolving institutions within an institutional field. One of the salient features of informal entrepreneurs is in fact their diffused lack of property rights (De Soto, 2000). Entrepreneurs in La Salada were capable of creating elementary forms of property rights; that is, shares that represent the property rights to each stall. These include the rights of people to use their stalls to sell goods, to rent them to other people, and use them for storage during non-opening hours. These rights can be traded, sold, rented, etc. While the owners of La Salada effectively own a standard form of property right, the market of stall property rights that exists in each of the three organisations (ferias) that make up La Salada are not entirely formal. Nevertheless, people there rent the stalls, sell them, and use them as collateral for loans or to buy merchandise. In this sense, this institution is novel in the context of the informal economy. What is substantially different from the mainstream, formal economy notion of property rights is the enforcement. In this context, private enforcement services are utilised, a kind of informal coercion and protection (Carruthers, 2004).

*"Here, I leave you the money...smiled Maria Rosa Cotari, who in 1992 was close to 40 years old...with visible enthusiasm, she left eight money bills of a hundred pesos each upon the table. Gonzalo Rojas counted the money and Quique Antequera wrote down name*

*and surname in a basic notebook...that was enough to make her officially the owner of a stall at the feria Urkupina.”*

(Quote from book written by a journalist)

The quote above shows clearly how the sale of property rights started. It was quite precarious in a way but also very effective and quick. This is one of many cases of early owners of La Salada who decided to invest their money in buying one or more stalls. The interaction highlights how the proto-institutional outcomes as rudimentary property rights started to emerge and how people would invest their cash to become owners. But representing a new element is not the mere fact that informal entrepreneurs would achieve rudimentary forms of property rights. Initially, people like Maria Rosa, described above, would pay upfront because they were offered the opportunity to become partners of La Salada. But the reality was different. The large majority of those who paid upfront would not become partners, only owners of stalls. Thus, behind these proto-institutional outcomes of obtaining property rights, there was an illegitimate arrangement.

The second process is the building of other institutional resources. The following field-note records conversations between high-level representatives of the Ministry of Transportation and one of the CEOs of La Salada, in which they negotiate the terms of the operation of the train that passes next to La Salada, as well as the opening and management of a new train station. Their discussion clearly shows how Castillo deals with members of the national government, who literally come to him asking for a “favour” and end up obtaining a mutual agreement.

*At the beginning of the conversation, the train managers told the CEO the difficulties they had operating the train service around La Salada. They explained that when the market is open it is very difficult for the trains to pass, either because of some stalls located directly next to the rails or because of some vehicles that start to cross and get stuck in the middle of the rails. The managers openly asked the CEO for his co-operation in solving this problem. “I can help you”, replied the CEO. And he offered to send some of his people to put the stalls and the vehicles in order at the required times in order to let the trains pass normally. He also explained that in La Salada every block was organised into gangs, and since all of Punta*

*Mogotes, Tilcara, Virgilio and Ribera were under his own control, he could definitely be of help.*

*After that, the subject was raised of a new train station at La Salada. Apparently, there was an ongoing project once presented by the CEO to the authorities and already constructed but never inaugurated. They all agreed the benefits this new station would bring for both parties. For the CEO, opening a new station would mean dramatically improving access to the market. For the train managers, the new station would attract more passengers, which would increase the railway's profits. The CEO proposed that he stay in charge of the security of the station to make the project feasible. He took the opportunity to say that in his original project – which he had offered to pay for from his own pocket – he had included other facilities such as an emergency unit and a small auditorium to give talks on drug addiction. "If we can open that station, it will be good for us, good for you and good for the people," acknowledged the managers. "Count on me", said the CEO, "you give me the frequency [number of trains per hour] and I put the security in place. But I will have to break some interests". Once more, the CEO confirmed the agreement and said that he would need to sell the tickets inside the market to ensure security. He also suggested it would be better if the trains could increase in frequency from two to three per hour. The managers replied that the proposal might be possible, although that would depend on the unions as well.*

*Having discussed the details of this upcoming project, the train authorities once again mentioned the urgency of their current problem with the railway blockages that frequently occurred around the market. The CEO promised once again that the problem would be taken care of. "They want to work. If you take this away from them, they don't eat. They need to obey, in order to generate an income."*

*Closing the conversation, they discussed details of the different authorisations that were required to proceed with the proposals, and the CEO assured he was on good terms with the various authorities and would take the subject to them without problems.*

This account gives important insights into the proto-institutional outcomes at La Salada. Firstly, formal institutions represented by civil servants from the Ministry of Transportation consider the CEO and La Salada as a legitimate and necessary partner. The account also shows a certain degree of deference representatives of formal institutions display towards the leading entrepreneurs of La Salada. A formal institution, part of the Argentinian state, is asking an informal entrepreneur to solve a logistical issue. The outcome of this process highlights how institutional entrepreneurs embedded in the informal economy are able to produce intangible proto-institutions, in terms of creating infrastructure and maintaining order in the surrounding area. Weak enforcement of macro-institutions contributes to the consolidation of these intangible proto-institutions in the informal economy (Webb et al., 2009). This account undoubtedly suggests how informal institutions relate to weak enforcement by macro-institutions and above all, how they leverage their dominant position in a polycentric governance order, where they have been exploiting opportunities through their brokerage work between different networks. This is what demonstrates the capacity of the institutional entrepreneurs' robust action to maintain "discretionary options across unforeseeable futures in the face of hostile attempts by others to narrow options" (Padgett and Ansell, 1993, p.1263). Their robust action offers concrete solutions to contradictions between different networks. This behaviour of our institutional entrepreneurs suggests a high degree of adaptability to the context and capabilities to deal with different interests.

Within the first phase, the role of the state was relatively limited, or not particularly active. Initially the state (at the national level) tended to ignore the emergence of La Salada. The only manifestation of the state was through the police forces who were seeking to receive bribes from the entrepreneurs of La Salada. This was true from the beginning, in 1989, when the entrepreneurs did not have a stable physical location for their commercial activity but had to move from one place to another within the Conurbano area. Various police-bodies would chase them, demanding more bribes to let them engage in informal trade. From 1991, once able to find a stable place, the entrepreneurs decided to fully accept the rules of the corrupted system, in which the other actors were the local police forces, as well as actors within the local council and the local judicial power. Nevertheless, this initial relation was full of tension: often La Salada entrepreneurs resisted the idea of paying systematic bribes to these formal institutions. Also, they would react against, for example, the local police, whenever they felt the amount of money demanded for bribes was too high. Thus, in this phase, the local formal institutions forced the creation of such arrangements, and the La Salada entrepreneurs firstly responded by escaping or reluctantly paying, but in a second phase the key entrepreneurs, for example Gonzalo Rojas and Quique Antequera, decided to establish a more routinised arrangement,

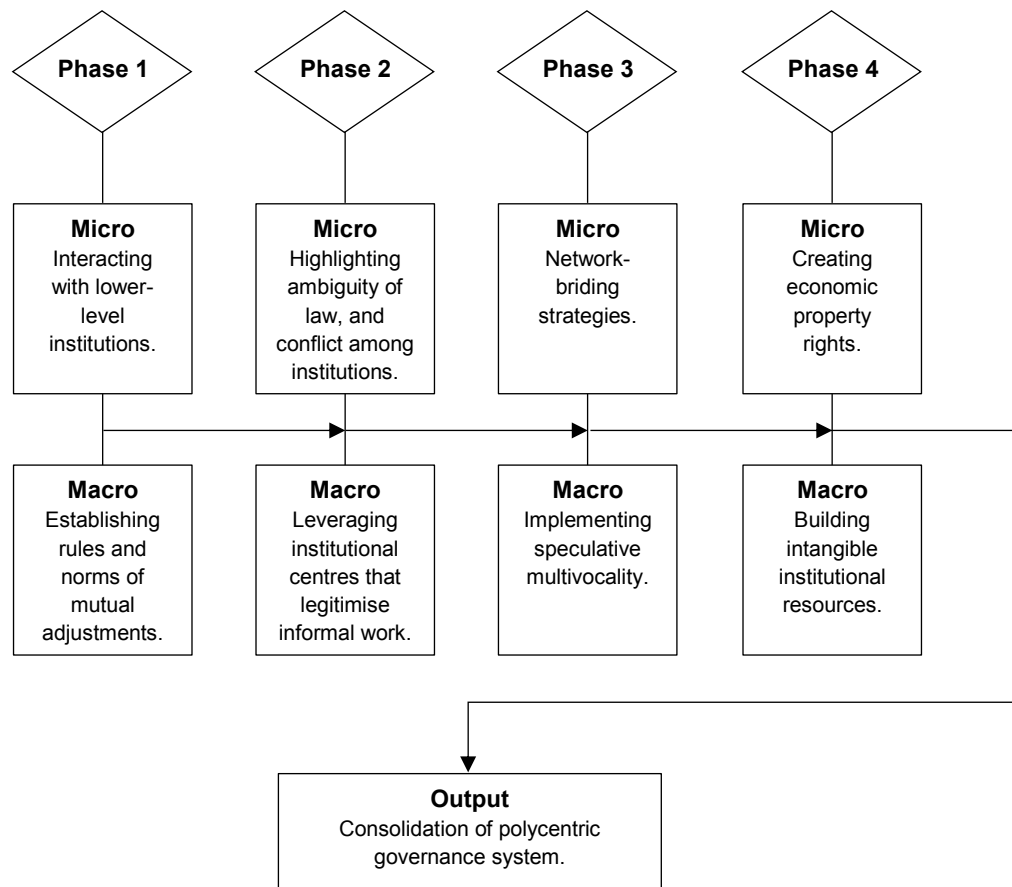
paying local police and local council members. While in the first phase they at first had a chaotic relationship with local formal institutions, the informal entrepreneurs at some point became able to organise their relationship with these local authorities.

In phase 2, the informal entrepreneurs became fully aware of the lack of enforcement of macro-institutional rules. They become conscious that, tacitly, some actors in formal macro-institutions, such as the high government official, would support the activity of La Salada because of its employment generation and the positive externalities of this entrepreneurial phenomenon. At the same time, other formal macro-institutions, for example the tax enforcement agency, considered La Salada and its entrepreneurs mostly illegal because of the lack of tax payment, and the violation of intellectual property rights. In this phase, at the local level, the state was present behind agreements that local council and judges made with the institutional entrepreneurs, while at the macro level, the state was characterised by a high degree of institutional polycentricity, with a lack of co-ordination between different institutional centres and how they treated and related to La Salada as a legal and accepted phenomenon.

In the third phase, newer institutional entrepreneurs within La Salada increased their efforts to consolidate and improve their relevance within this polycentric system of governance, consisting of both the aforementioned local authorities and the entrepreneurs of La Salada. These institutional entrepreneurs now actively created bridging strategies with the police and the local council members, as well as with provincial and national politicians. In this phase, the role of the state could be seen as seeking political votes within La Salada and building networks which could be used at some point. Politicians at the local and higher levels try to take advantage of networking with La Salada and its most powerful members and entrepreneurs, most importantly in order to capture political votes during elections.

Finally, within the fourth phase, the role of the state was primarily concerned with validating previous arrangements. For example, one of the most important proto-institutional outcomes of La Salada was the generation of economic property rights. This implies that the organisation of the market is based on a formal internal system in which stalls are numbered, traded, and essentially treated as shares the shareholders own. The state does not intervene in this process and this non-intervention implicitly validates such arrangements. Below I introduce a process model to visualise the different phases of the governance system and its evolution.

**Figure 16**  
Process diagram governance model



Source: Author's elaboration, based on empirical data.

The above process diagram highlights the different phases and the micro and macro output in each one. In the next section I discuss the main contributions of the paper and present a model to conceptualise the polycentric system of governance.

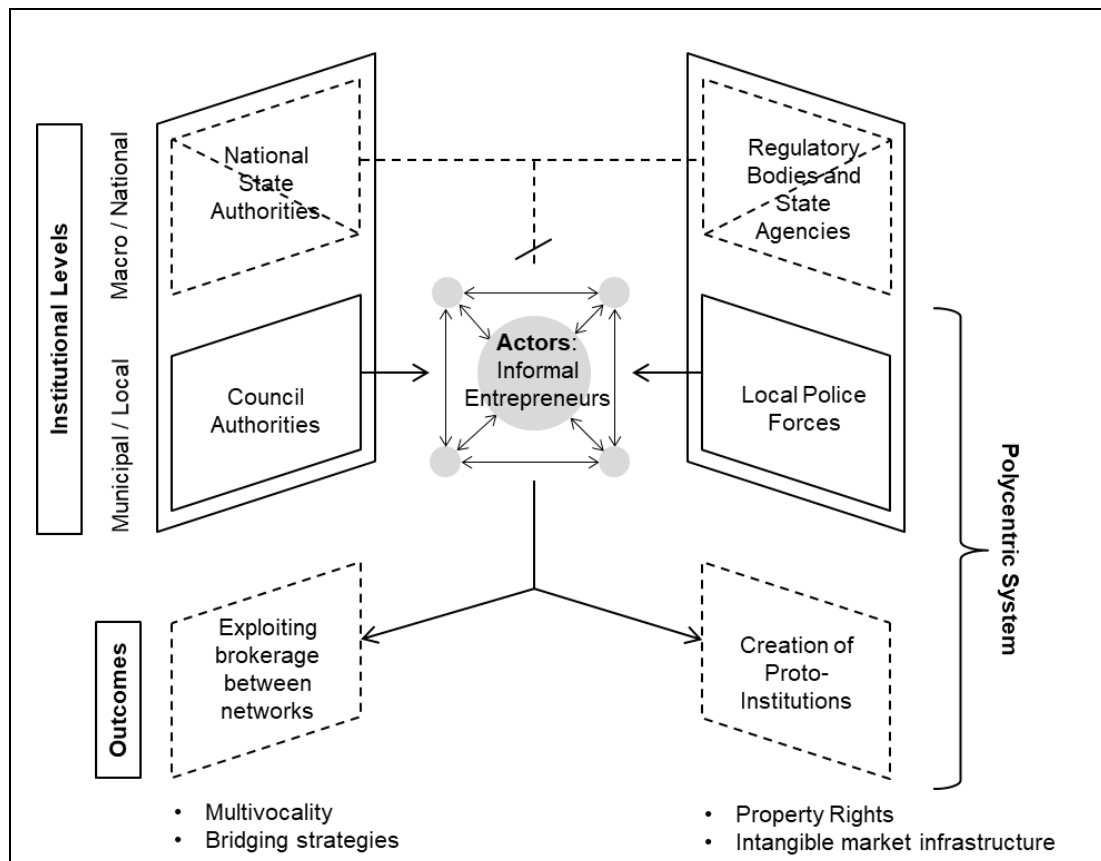
## 5.6 Discussion

We began with the question of how various types of actors and organisations such as social movements or hybrid organisations are able to develop alternative institutional arrangements to overcome the liabilities of emerging economies' institutions. The informal sector is a context particularly well-suited for addressing this question, and thus the case of La Salada

provided important insights to answer it. In particular, this study contributes a new understanding of informal entrepreneurs' interaction with local institutions, their exploitation of opportunities to gain legitimacy, and their creation of proto-institutions within a polycentric system of governance.

Figure 16 illustrates the empirical data presented in section 5.5. It highlights the institutional levels of action and the polycentric order of governance that includes the local council, the local police and La Salada's informal entrepreneurs. The diagram highlights the interactions and the processual outcomes of this interaction. Based on the brokerage activity between these two contradictory networks (Padgett & Ansell, 1993), two proto-institutional outcomes are achieved: property rights and intangible market infrastructure (security).

**Figure 17**  
Polycentric order of governance in La Salada



Source: Author's elaboration, based on empirical data.

Firstly, I found that institutional entrepreneurs of La Salada were able to establish a systematic interaction with local institutions in the context of the dysfunctionality of macro-institutions. The latter are characterised by conflicts and lack of co-ordination, as we have seen through the example of the differences between the attitudes of the Secretary of Commerce and of the Tax Enforcement Agency ARBA. The institutional work of the entrepreneurs of La Salada has aimed at leveraging those institutions that help to legitimise their informal work. By doing so, they feel encouraged to further expand their business activity, which gives them even more leverage with certain institutional centres, which in turn acknowledge their capacity to generate employment and income in a context of poverty and inequality. The evidence from La Salada supports the hypothesis of Webb et al. (2012, p.7) that “ambiguous jurisdiction and conflicting interests across institutional centers are positively related to opportunity exploitation in the informal economy”. The informal entrepreneurs of La Salada were strategic in pointing out the weaknesses, contradictions and fragmentations of macro-institutions. By understanding these issues, they were able to strengthen their activity.

The importance of polycentrism in the context of informality has been studied in the past (Garcia-Rincon, 2007; Roever, 2006), confirming that institutional polycentricism encourages informality. However, this study goes beyond this observation and highlights the more micro-level dynamics or processes that characterise the agentic action of the informal entrepreneurs in La Salada, showing how informal actors actually contribute to the emergence of a polycentric system using robust action. In the case of La Salada, the local police and the local council constitute what, following Padgett and Ansell (1993), I refer to as contradictory networks; that is, networks whose members use conflicting rhetoric and have contradictory interests. As Ostrom (2005, p.286) argues, “polycentric systems can generate considerable conflict among the various units at multiple levels due to their interdependence”, and that is something we observe here. The robust action undertaken by the institutional entrepreneurs of La Salada launched a polycentric governance order, in which they established new and alternative rules and norms for interaction with lower-level institutions. This robust action led to adjustments by these actors and stabilised a field which was otherwise characterised by a lack of stability and uncertainty. These rules and norms in this polycentric governance order made it possible to plan their business activities more effectively and also to begin the consolidation of a position of power in between the contradictory networks.

The early “administradores” of Urkupina, the first feria within La Salada, began the creation of this governance system by approaching the local council and the local police. For them, to negotiate with the authorities was something new, but they also understood it was necessary

to do so, in order to stop those authorities interfering with their business activities. This lack of secureness remained insurmountable until they were able to buy the land where they finally installed Urkupina in 1991. Once stability was achieved, allowing the entrepreneurs of the market to improve their businesses, the bribing mechanisms also provided lucrative income streams for the police and the local council. Both of them would benefit enormously from the stable presence of La Salada as a market, by receiving bribes and also by collecting real-estate taxes. As a result, in 1999 the local council formally approved that all three main ferias of La Salada - Urkupina, Punta Mogote and Ocean - could exercise their commercial activity. Converging interests towards the consolidation of La Salada as a stable market contributed to strengthen their system. The mayor of Lomas de Zamora at the time acknowledged the importance of the formal recognition accorded these ventures, allowing them to work in a stable way. From 1997 until 1999 Gonzalo Rojas, one of the key founders of Urkupina and the most prominent institutional entrepreneur there, invested time in building political links and consolidating the formal registration of Urkupina as a business. Both he and Jorge Castillo increased the number of formal meetings with the members of the local council to get such formal registration. Furthermore, they also used another tool, which was to mobilise many workers and entrepreneurs of La Salada in order to further pressure the local authorities. It was a time in Argentina when many social movements were born, protesting against the system about unemployment and claiming social justice.

From there, the governance system has integrated external actors by complying with such rules. Those who do not accept the rules lose control and exit the system. This was the case with one of the key institutional entrepreneurs of La Salada, who was arrested and eventually died, because he refused to pay an extremely high bribe to a high-ranking local police officer. In that case, a corrupted police official believed that given the increased business activity of La Salada there could be scope for renegotiation. Nevertheless, after this episode, the system continued to work, and new leaders emerged who were willing to continuously find agreements with both the local council and police forces.

The stability of rules for the internal actors was guaranteed by the fact that the most important institutional entrepreneurs of La Salada would deal with the formal institutions, guaranteeing that there would be no issues with the authorities and no violence. As long as they would keep order, internal members of the organisations, employees, stall-owners, renters and workers would accept the rules. Internally, the governance arrangements were kept stable for two substantial reasons: the achievement of the economic property rights and the maintenance of market security. Economic property rights are managed by the “administradores” and they

enforce the system of such property rights within the market. By allowing stall owners to buy and access property rights and also by guaranteeing them a certain degree of physical security within the market, for them and their customers, they are able to prevent conflicts and dissension that could destabilise the informal institutional arrangements arising in La Salada (or at least minimise them).

The findings show the importance of multivocality in the institutional work of the informal entrepreneurs of La Salada. Men like Jorge Castillo behave ambiguously enough to bridge between the local police and local politicians, because both attribute to him different types of interests. This is a characteristic of multivocality: the “tactical capacity of robust-action brokers to sustain multiple attribution of identity” (Padgett and Powell, 2012, p.25). Castillo used these tactics in a way that made him a coherent and credible agent within his large network, allowing him to consolidate La Salada as a more legitimate organisational form. To use Leifer’s (1991, p.1263) words, Castillo’s actions offered “discretionary options across unforeseeable futures in the face of hostile attempts by others to narrow those options”. All of this demonstrates what a useful tool multivocality can be to legitimise informal actors. This shows, first, that the role of multivocality in promoting institutional innovation, as suggested by different scholars (Hargadon and Douglas, 2001; Furnari, 2014; Padgett & McLean, 2006), can work also in the context of informality, which was not explored before in other studies. Furthermore, this case also highlights the multivocal inscription of the robust action strategies. In particular, as Ferraro, Etzion and Gehman (2015, p.373) explain, it features “discursive and material activity that sustains different interpretations among various audiences with different evaluative criteria, in a manner that promotes co-ordination without requiring explicit consensus”.

The findings allow us to explain the emergence of proto-institutions (Lawrence, Hardy and Phillips, 2002) from inter-organisational collaborations. They do this by showing how robust action and multivocality contribute to the creation of proto-institutions rather than collaboration. The capacity to maintain brokerage activity between opposing networks explains how, for example, informal entrepreneurs were capable of creating tradable and rudimentary property rights. As suggested by Ensminger (1997), there are complementarities between informal and formal institutions. In this case, property rights become possible due to the stable interaction between local institutions and informal entrepreneurs and their rules and norms. In the case of the entrepreneurs of La Salada, it represented a valuable form of economic empowerment and increased their potential for capital accumulation, stressing the importance of basic commercial rights (Brown, 2015; CLEP, 2008). This would also build

upon literature that looks at property rights development in public space (Ostrom and Hess, 2010), but with the fundamental distinction that La Salada entrepreneurs have been capable of building, obtaining and selling property rights for individual entrepreneurs not merely on the occupation of public space, but rather on an original property right to the land they initially acquired. Through the robust action of La Salada's institutional entrepreneurs many of the early ones were initially offered the opportunity to become partners. Those who wanted to own their stall paid large amounts of money upfront. The consequence has been that only a few of those who paid that money later became real partners of La Salada, while others, a large majority, became simply owners of stalls within the market. Obtaining property rights within the informality grew as an institutional innovation as the result of an illegitimate agreement in the initial phase. Thus, this reveals a counter-intuitive fact, that an embryonic form of property rights can be achieved, including by moving from illegitimacy to legitimacy. In fact, today, these rudimentary forms of property rights that stall owners retain are used substantially. Furthermore, this insight suggests that these informal types of property rights based on self-governance are more effective than formal ones in certain unstable contexts. It also provides evidence that informal entrepreneurs are able to compete with the state to build and provide property rights. Finally, it is significant to stress that this proto-institutional outcome of rudimentary property rights does not come from a legal entitlement as has been portrayed by certain authors (De Soto, 2000); but rather, it arises from a mix of custom and business practices. Thus, the proto-institution of property rights becomes embedded in informal institutions.

Furthermore, by leveraging their action with the political power, the entrepreneurs were capable of obtaining legal title of their infrastructure, which allowed them to begin building a system of elementary property rights. This process illustrates the creation of elementary institutions, including rules, social norms, or practices (Aoki, 1991; Lawrence, Hardy and Philips, 2002). These rules or practices "can become more or less institutionalized, depending on the extent of their diffusion and the strength of these self-activating mechanisms – the set of rewards and sanctions" (Lawrence, Hardy, Philips, 2002, p.282). They are partially diffused but have the potential to become fully institutionalised, as proto-institutions. One of the salient features of informal entrepreneurs is in fact their diffused lack of property rights (De Soto, 2000). In this sense, this institution is novel in the context of the informal economy. What is substantially different from the mainstream, formal economy notion of property rights is the enforcement: in this context, it is based on private enforcement services, a form of informal coercion and protection (Carruthers, 2004).

The informal entrepreneurs of La Salada also developed a more intangible type of proto-institution, related to the infrastructure of the market. Guaranteeing neighborhood and market safety is a fundamental necessity for market traders, stall-owners and workers, making their activities more stable and increasing the possibility of attracting new customers. Also, while other studies have shown the importance of group-level institutions to build legitimacy in the informal economy (Itzigsohn, 2006; Odegard, 2008; Coletto, 2010), none have focused their attention on understanding how informal entrepreneurs exploiting opportunities are capable of manufacturing proto-institutional outcomes that are also legitimated by actors belonging to the formal economy. Weak enforcement by macro-institutions contributes to the consolidation of intangible market infrastructures in the informal economy (Webb et al., 2009), indicating that formal and informal institutions act as substitutes. This account undoubtedly suggests how the designers and beneficiaries of informal institutions are able to create and leverage their dominant position in a polycentric governance order, where they have been exploiting opportunities through their brokerage work between different networks. This is what demonstrates the capacity of the institutional entrepreneurs' robust action to maintain "discretionary options across unforeseeable futures in the face of hostile attempts by others to narrow options" (Padgett and Ansell, 1993, p.1263). Their robust action offers concrete solutions to contradictions between different networks.

All of this occurred, as we have shown, in four phases. In the first, both opportunities for entrepreneurial activity and potential allies among the formal institutions generally associated with their repression (as in the case of the policeman who recommended a location to Bolivian street sellers where he told them they would not be disturbed) are perceived. In the second, bribery-based operations to keep the local police at bay that had previously occurred on an individual, ad-hoc basis become institutionalised in a process which sees the emergence of leaders we can identify as institutional entrepreneurs. In this stage, the informal actors begin to stabilise and consolidate their position. In the third phase, we observe the emergence of a polycentric system, with the informal actors of La Salada having established themselves not only as a fully-fledged participant in that system, but as one with a dominant position in it, enjoying alliances at the national level that solidify their legitimacy and can be leveraged in their struggles with contradictory networks. Finally, in the fourth phase, they generate proto-institutions that further solidify their legitimacy. These proto-institutions have made the market more efficient, more stable and more attractive for others to come and work there. Stalls are quite affordable in fact, and for many represent an easy way to access a form of property without any legal and bureaucratic requirement, as normally happens in the formal economy. This is in line with findings that the lack of co-ordination between different state

agencies and weak policies favour informal entrepreneurs (Garcia-Rincon, 2007). Informal institutions, then, alter the outcomes of formal rules, but not necessarily with a clear violation of them (Helmke and Levitsky, 2004).

## 5.7 Conclusion

This study builds on the scant research produced within institutional theory literature looking at institutional polycentrism and informal entrepreneurship research (Batjargal et al., 2013), responding to multiple calls for work on the entrepreneurial and organisational behaviour of informal firms (McGahan, 2012; Ketchen et al., 2014; Godfrey, 2011). Specifically, it makes a substantial empirical contribution to the field of organisation theory by looking at one of the most sophisticated, and yet scarcely explored, informal markets worldwide. It extends our understanding of institutional polycentrism (Ostrom, 1999; Ostrom, 2005, Batjargal et al., 2013) in a context characterised by the relationship between formality and informality (Ostrom, 2006). It shows the micro-dynamics of the relationships between informal entrepreneurs and formal institutions, for example how agreements are reached, and what types of rules are established. The findings demonstrate the relationships with local institutions, the processes that underlie their evolution, and the strategic use of robust action, understood as brokerage activities between two contradictory networks. By doing so, this study also shows how informal entrepreneurs skillfully inserted themselves into the core of this polycentric system by resolving contradictions between local council and local police.

Within this system, informal entrepreneurs are skilled enough to take advantage of the ambiguity of the law and the lack of co-ordination between different institutional centres. Furthermore, once established in the polycentric system, they are also capable of negotiating with lower-level institutions and exploiting opportunities where such conditions arise from their brokerage activity between contradictory networks. The outcome of this process is the generation of two proto-institutions. The findings suggest that, contrary to the view of scholars who believe that informal firms are capable of building solid institutional arrangements (La Porta, Shleifer, 2014), informal firms are able to operate in dynamic polycentric systems and take advantage of such conditions. Furthermore, this study also demonstrates that the informal economy is not disconnected from the formal economy and formal institutions, as suggested by La Porta and Shleifer (2014). The findings also expand understanding of how the emergence of proto-institutions contributes to the consolidation of governance regimes and modes of co-ordination – in this case, of a polycentric system of governance, characterised by

the interaction of formal local-level institutions and informal firms as organisational forms leading to the creation of alternative rules and norms.

### **5.7.1 Future research**

As highlighted above, this study is one of the very few empirical studies on informal firms in the field of organisation theory and entrepreneurship. Future research should try to provide more case studies around the globe, particularly in emerging economy contexts, which are normally characterised by distinctive institutional features that have received relatively little attention to date. Similar informal markets based in China, Brazil or Nigeria could be analysed, and scholars could provide evidence about similarities and differences with respect to La Salada. It would also be valuable to study informal firms embedded in digital platforms (i.e. digital piracy market places) which are included on the US government's Notorious Markets List. The study of illegal digital marketplaces could provide scholars with challenges but also with significant lessons and fresh insights.

# **PART IV**

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## **Chapter 6**

## **Conclusion**

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The aim of this chapter is to provide a summary of the three studies presented in the thesis. Each of these studies has relevant theoretical contributions and also practical implications. Subsequently, research limitations and future lines of research will be considered. Lastly, this final chapter concludes with a few final words.

## 6.1 Summary of the three studies' findings

This thesis has investigated institutional entrepreneurship embedded in the informal economy through three main research questions that have been explored in three separate studies. The three independent but connected empirical essays were the result of a grounded theory study. In the first study, I investigated how institutional entrepreneurs in the informal economy could exploit the lack of legitimacy of formal labour practices in the value chain. Through a grounded theory approach based on participant observation, interviews and use of documents, this study addressed the question below:

### Research question 1:

*How do institutional entrepreneurs exploit the illegitimacy of formal wage practices to generate institutional change?*

The study findings revealed three specific social mechanisms that were activated by institutional entrepreneurs of La Salada in order to escape economic exclusion, which was caused by the crisis of formal wage practices in the value chain. The three mechanisms identified were: 1) bricolage, 2) crafting political opportunity, and 3) subversion; each mechanism was explained through identified themes. Firstly, to explain the bricolage mechanism, I identified three themes: drawing on indigenous customs; consolidating commercial infrastructure; and providing organising anchors. Secondly, crafting political opportunity was explained with two themes: creating a public voice for the informal sector, and manoeuvring institutional arrangements. For the third mechanism, triggering subversion framings, I identified three themes: exploiting contradictions; channelling the illegitimacy of formal institutions; and validating an alternative to formal value chain practices.

In the first study, the bricolage mechanism referred to a process of blending and re-blending different customs and practices belonging to different contexts, in particular to Bolivia. Specifically, the bricolage mechanism emerged through:

- Drawing on indigenous customs: to counter economic exclusion and unemployment, Bolivian migrants in Argentina deployed the few resources they had at their disposal to organise petty market activities. This would also allow them to remain within their community and maintain solid community ties.
- Consolidating commercial infrastructure: the process of providing the community with a stable physical venue was a major step forward. They obtained ownership of the land and official property rights. The infrastructure was also a driver for the commercial success of La Salada, as customers could finally identify La Salada with one single physical place.
- Providing organising anchors: importing key organising principles into a context where there still was a fair amount of improvisation and lack of co-ordination. This took place when the key institutional entrepreneurs of La Salada, such as Gonzalo Rojas (the main founder of the market), organised a basic scheme to bribe the police and some of the local council members in order to consolidate stability for the market and the workers, who no longer had to fear being removed by the police.

The mechanism called “triggering subversion framing” literally refers to overthrow. In this study, I apply to this mechanism the meaning given by Rao and Giorgi (2006, p.274), who explain that “the more ambiguous a code or logic, the greater the political opportunity and the more likely subversive is framing to be accepted”. Here, subversion implies that informal entrepreneurs of La Salada exploited the lack of legitimacy of the existing code in the formal wage practices of the apparel value chain. This mechanism emerged through:

- Exploiting contradictions: emphasising the contradiction of the formal value chain practices, for example by visualising the price differences and by showing that formal businesses also buy from La Salada and from sweatshops. This type of activity represented a form of resistance within the value chain.
- Rejecting formal-sector value chain practices: informal entrepreneurs challenged the legitimacy of formal value chain norms and questioned the acceptance of these norms. They questioned the lack of sustainability of the formal value chain system and the contradictions between the codes or logics within the value chain, as well as the legitimacy of the system of production.
- Channelling the illegitimacy of formal institutions: given that formal institutions in the context of Argentina are perceived as illegitimate, La Salada’s institutional entrepreneurs channelled such feelings and contributed to the construction of a separate notion of legality.

The third mechanism I identified in this study is called crafting political opportunity, which comes from environmental mechanisms in social movement and organisation theory literature (Campbell, 2005). It explained agentic behaviour that responded to the openness of politics. Two important themes were highlighted:

- Creating a public voice for the informal sector: leveraging the deterioration of the formal macro-institutions in Argentina. The weakness of formal institutions left space for the legitimisation of alternative activities embedded in informality. Informality became a socially acceptable way of generating a basic income to survive.
- Manoeuvring institutional arrangements: local political institutions were available and willing to favour the development of this informal market. Actors were then motivated to operate and to seek change through arrangements made available by politics.

In the second study, I investigated how different institutional logics emerged within a hybrid organisation. Specifically, this study addressed the following research question:

### **Research question 2**

*How do different institutional logics emerge within a hybrid organisational form embedded in the informal economy?*

The findings of this study revealed two core logics at play: a community logic focused on the Bolivian group; a market logic focused on the entrepreneurial activity of La Salada, which included people belonging to different nationalities. These were accompanied by a normalisation of deviant organisational practices, via a meta-mechanism that allowed co-ordination between them. Additionally, this study also showed two core mechanisms: a translation mechanism that explained the emergence of the community and market logics; and the incorporation and detachment mechanisms as generative mechanisms of the normalisation of deviant practices. These core mechanisms highlighted this novel type of hybrid in the informality (Battilana, and Lee, 2014).

- Translation mechanism: this mechanism explained the emergence of community and market logics. In the case of community logics, the theme of reliance on Bolivian community practices helped us to understand how the translation mechanism emerged, through spreading actions that would contribute to re-unite the community and revive its spirit. Furthermore, it also acted by boosting a sense of community reliance and self-esteem: those immigrants who attended the market in its initial stages

would do so partly because it represented an opportunity to socialise with other Bolivians. In the early phase of La Salada, community ties and self-esteem strongly contributed to the diffusion of this logic.

- Translation mechanism: this mechanism also explained the establishing of market principles. In other words, the emergence of the market logic within La Salada. First, by disseminating an entrepreneurial orientation in the market. Not only Bolivians would work there, but entrepreneurs from other backgrounds eventually joined as well. More locals would also become attracted by the large masses of customers. Local Argentines disseminated the first seeds of a more market-oriented organisation by expanding businesses.
- Translation mechanism: the theme of balancing practices explained the converging of the two dominant logics and the making of social progress from the blending of practices belonging to both logics.
- Incorporation and detachment mechanisms: normalisation of deviant organisational practices. Firstly, the institutional entrepreneurs of La Salada were capable of bringing one network (a crime-network) into another one (the original one belonging to La Salada). Customers and workers were scared of being robbed – they felt that crimes would systematically occur. To solve this problem, entrepreneurs like Jorge Castillo mobilised against the crime threat within the market, entering the local crime network and importing know-how from its practices.
- Using violence to negotiate: through this theme, the promotion of deviant practices within the organisation was highlighted, revealing an instrumental use of violence in La Salada. Violence is not used per-se, but to resolve business matters or negotiations. The more money is in question, the more violence plays a part in negotiations.
- Institutionalising a deviant practices meta-mechanism: in this final stage, there was a process of normalising criminal behaviour within La Salada. This implied that people operating in the market learned and accepted that certain disputes could only be solved with violence.
- Arbitrage of formal and informal economic activities: this mechanism offered the opportunity for informal entrepreneurs to leverage the institutional differences

between the formal and the informal economic environments. It was revealed that entrepreneurs are capable of navigating in a strategic way between these two spheres. A vivid example of this was formal entrepreneurs who decided to also work informally at La Salada by either renting or buying a stall and moving part of their business operation there. Their main motivation was gaining access to financial liquidity.

Finally, in the third essay I investigated how social movements or hybrid organisations embedded in the informal economy developed alternative institutional arrangements to minimise emerging economies' limitations. I asked the following research question:

### **Research question 3**

*How are various types of actors and organisations such as social movements or hybrid organisations able to develop alternative institutional arrangements to overcome the liabilities of emerging economies' institutions in an informal context?*

The findings of this study identified four phases where the robust-action of informal entrepreneurs, acting within a spontaneous polycentric system of governance, generated proto-institutional outcomes. Below I briefly describe the four phases and their main outcomes.

- Perceiving absent or flawed enforcement of macro-institutional rules: in this phase La Salada's institutional entrepreneurs were very skilled at highlighting the ambiguity of the law, the lack of co-ordination and the presence of conflict between macro-institutions. They were also skilled in leveraging the institutional centres that wanted to legitimise their informal activity. This phase depicted very clearly the typical issues of emerging economies' institutional environments.
- Organising relationships with local authorities: in this phase, the institutional entrepreneurs began their interaction with lower-level formal institutions, in particular with municipal institutions and local police forces. At a more macro level, they established rules and norms of mutual adjustments. This last element is peculiar to a polycentric system of governance, where the different institutional centres that are part of it can mutually establish rules.
- Establishing a dominant position within a polycentric governance system: within this phase, the institutional entrepreneurs of La Salada started to leverage their robust action by working between two different networks, the municipal institutions and the local police forces. Through network-bridging strategies and implementing a

speculative multivocality (Padgett and Powell, 2012) they reached a more favourable position within this peculiar system of governance.

- **Generating proto-institutions.** This final phase was characterised by the creation of two types of proto-institutional outcomes. First, the creation of rudimentary property rights that were given to the stall owners. One typical feature of those who work in the informal economy is their lack of property rights. In this case, although those who own a stall do not have an official form of property right, by paying for their stall they obtain a rudimentary property right which they can use for transactions such as obtaining a loan or renting out the stall. This provides them with a series of advantages and certainty. At the macro level, building intangible institutional infrastructure implies the consolidation of neighbourhood and market safety.

**Table 13**

Summary of the first study

<b>Research question</b>	How do institutional entrepreneurs exploit the illegitimacy of formal wage practices to generate institutional change?
<b>Motivation / research gap</b>	Extend the research on institutional entrepreneurship into more specific emerging economies' settings, and particularly within the domain of the informal economy as suggested by McGahan (2012). Limited understanding of the relationships between inequality and informal entrepreneurship.
<b>Theory</b>	Institutional entrepreneurship; social movement and organisation theory; entrepreneurship in the informal economy.
<b>Methodology</b>	Constructivist grounded theory.
<b>Key findings</b>	<ol style="list-style-type: none"> <li>1. The study findings revealed three specific social mechanisms that have been activated by institutional entrepreneurs of La Salada in order to escape the economic exclusion which was the result of the crisis of formal wage practices in value chain. The three mechanisms identified are: bricolage, subversion and crafting political opportunity.</li> <li>2. Organised activity of institutional entrepreneurs within the informality to reduce the effects of economic inequality in value chain.</li> </ol>

Source: Author's elaboration.

**Table 14**  
Summary of the second study

<b>Research question</b>	How do different institutional logics emerge within a hybrid organisational form embedded in the informal economy?
<b>Motivation / research gap</b>	Provide with evidence about new type of hybrid organisational form embedded in the informal economy. Evidence of new type of mechanism that emerges at the intersection of informality and illegality.
<b>Theory</b>	Hybrid organisations; institutional logics; normalisation of deviant organisational practices.
<b>Methodology</b>	Constructivist grounded theory.
<b>Key findings</b>	Generative mechanisms of institutional logics. Explanation of a new meta-mechanism – normalisation of deviant organisational practices. Evidence of how informal entrepreneurs strategically use arbitrage to navigate between informality and formality.

Source: Author's elaboration.

**Table 15**  
Summary of the third study

<b>Research question</b>	How are various types of actors and organisations such as social movements or hybrid organisations able to develop alternative institutional arrangements to overcome the liabilities of emerging economies' institutions in an informal context?
<b>Motivation / research gap</b>	Lack of understanding of how social movement and hybrid organisations create alternative institutional arrangements in fragile institutional settings.  Expand our understanding of economic governance in the informal economy.
<b>Theory</b>	Institutional polycentrism; robust action; formal-informal institutions.
<b>Methodology</b>	Constructivist grounded theory.
<b>Key findings</b>	Brokerage activity of informal entrepreneurs between contradictory networks.  Leverage the multivocality and creating proto-institutional outcomes.

Source: Author's elaboration.

Together, these three studies have extended our understanding of the phenomenon of institutional entrepreneurship in the informal economy. We have seen that weak formal institutions, conflicting institutional centres and large levels of economic inequality favour the development of informal entrepreneurship in emerging economies. Collectively these three studies revealed that informal entrepreneurship is a response to a high level of economic inequality, but that, at the same time, it can generate more inclusive institutions than the formal economy for many disenfranchised people. Secondly, it was also suggested that the informal economy is characterised by distinctive types of hybrid organisational forms. There is often confusion about informality and illegality. This study showed that while the informal economy is a large universe that cannot be reduced to mere blanket illegality, institutional entrepreneurs in the informal economy are skilled in using crime know-how to generate a new type of meta-mechanism, I termed normalisation of deviant practices, which becomes integrated into the two classic logics, those of community and market. Finally, this PhD dissertation touched upon the key issue of economic governance in the informality, explaining that informal

entrepreneurs are able to enter a polycentric system of governance when macro (national) institutions are weak or absent. Within that type of polycentric order of governance, they can use robust action and multivocality to bridge two different local institutions and generate proto-institutions.

## 6.2 Contributions

This PhD thesis has provided relevant theoretical contributions. The table below summarises the most important contributions of each study to particular fields.

**Table 16**  
Summary of study contributions

Study	Contributions
1	<ul style="list-style-type: none"> <li>Identifying and explaining social mechanisms that provoke institutional change in a context of high economic inequality.</li> <li>Extending knowledge of institutional entrepreneurship in contexts where the law is absent or partially absent.</li> <li>Bringing the informal economy into the development of new management theories.</li> <li>Expanding understanding of inequality and institutions, particularly by looking at organising processes of disenfranchised actors.</li> </ul>
2	<ul style="list-style-type: none"> <li>Extending the literature on institutional logics by introducing a new meta-mechanism that captures many dimensions of social behaviour in the informal economy.</li> <li>Study findings advance knowledge about hybrid organisational form by looking at "an extreme case".</li> <li>Research progresses understanding of how informal entrepreneurs navigate the boundaries of formal-informal economy.</li> </ul>
3	<ul style="list-style-type: none"> <li>Extending understanding of the notion of institutional polycentrism in a context characterised by the relationship between formality and informality.</li> <li>Provide evidence of how proto-institutional outcomes can be achieved in the informal economy contributing to the consolidation of an effective governance regime.</li> <li>Highlighting how institutional entrepreneurs in the informal economy strategically deploy robust action and multivocality.</li> </ul>

Source: Author's elaboration.

In terms of contributions, the table above provides a summary of the most significant contributions of the three studies that constitute this thesis. In terms of disciplines within the

three studies, these contributions are relevant for different fields. In the field of institutional theory and particularly institutional entrepreneurship, the thesis has responded to the call of McGahan (2012) to study more organisations like Napster, that are embedded in the informal economy. Through these contributions, this study has expanded our understanding of organising in the emerging economies and the importance of institutional entrepreneurs in contexts where formal institutions are fragile and the institutional environment is unstable (Marquis, Raynard, 2015). In terms of the relationship between inequality and institutions (Amis, Munir, Mair, 2017), the study concretely analysed inter-organisational links across the apparel value chain, showing the sources of economic inequality for Bolivian textile workers. By highlighting the mechanisms implemented by these informal entrepreneurs, I concretely showed forms of institutional work aimed at reducing economic inequality in the apparel value chain. Furthermore, the study has provided important insights into the factors that shape inequality in emerging economies, particularly in the context of Latin America.

The literature on institutional logics and hybrid organisations has been fairly absent from the field of the informal economy. This study fills that gap by providing an excellent case to theorise logics. As Katherine Chen (2016, p.35) clearly explains, “extreme cases show how seemingly most extraordinary organisations must contend with mundane organising dilemmas”. Furthermore, the author suggests that studying extreme cases gives the opportunity to encourage reflexivity (Kleinman, 1996), by “revealing normative assumptions about appropriate sites of study and methods” (Chen, 2016, p.33). Lastly, this thesis has provided relevant contributions about how entrepreneurs can navigate between the formal and the informal economy.

In terms of the use of literature on social movement and organisation theory, the thesis has applied different types of mechanisms belonging to this group of theory, which substantially contributes to understanding collective action dynamics and different types of hybrid organisational forms. Finally, it has also discussed the importance of economic governance, in the context of informality. While the evidence about governance in informal firms is scant, this investigation has provided empirical evidence of how a polycentric system of governance functions, including both (lower-level) formal institutions and informal firms.

### **6.3 Implications**

Beyond its theoretical contributions, this investigation has significant practical and policy implications. As the World Economic Forum has stated recently (2015), the informal economy

causes serious problems to policy makers in emerging economies, as it is often linked with lack of productivity and poverty. According to economists, declining informality should be a measured development but, nevertheless, the informal economy has proved to be growing in many parts of the world. One of the most immediate policy implications of this study concerns how informality is considered and what types of policies can be developed in response to it. This work shows that rather than aiming for macro goals such as diminishing the level or the magnitude of the informal economy, governments in emerging economies could focus more effectively on two more detailed dimensions. One is related to the role of intermediaries in the value chain. Policy makers should focus on the inter-organisational linkages between informal firms and formal value chains, particularly in sectors with low technological intensity. As the first study showed, the dynamics of wage practices in the apparel value chain were the starting point of the emergence of La Salada. Policy makers could work with value chain players and establish institutional partnerships in order to improve their authentic engagement with and understanding of the informal economy. This would allow policy makers to move from the narrow focus of formalisation and labour regulation, towards a more organisational and management-oriented approach to informal firms. This approach would favour the analysis of the interconnections between the formal and the informal economy and would be in line with the Sustainable Development goals related to the informal economy (UN), in particular, by promoting development-oriented policies that can support decent job creation and entrepreneurship and encourage formalisation and growth of micro- and small enterprises.

Secondly, this study also indicated relevant insights into the importance of institutional polycentrism. Informal entrepreneurs have proved skilled enough to take advantage of the contradictions between institutional centres that treat or conceptualise informality differently. This problem would suggest that governments, particularly in emerging economies, could work with informality in a more homogenous way, by developing a single approach that can be shared by all the state agencies that deal with informal firms. So far, this has been missing from policy approaches.

Thirdly, this work also highlights some of the consequences of a lack of rule of law. As Hayek (1960, p.205) stated, “government can infringe a person’s protected private sphere only as punishment for breaking an announced general rule ... the importance which the certainty of the law has for the smooth and efficient running of a free society can hardly be exaggerated”. More sensible policy is not enough, if the overall perceived quality of the formal institutions remains low; then informal institutions, as we have seen, have an open door to build more legitimacy in societies characterised by very limited rule of law. As Max Gallien (2017) in his

article in the Guardian mentions, “thinking about informal economies highlights features of our economies which are unregistered, and hence often ignored, but without which the price of clothes at Primark or the career of the current Foreign Secretary are difficult to explain [...] [I]n the age of zero-contracts, Uber and TaskRabbit, we are witnessing an informalisation of working conditions for many employees, as the formal economy also wants a slice of the informal pie”. (Gallien, 2017)

## **6.4 Research limitations**

Each of the three studies discussed in this thesis presents limitations. Firstly, being a grounded theory study where I intended to capture the emergence of La Salada and its relationships with the conditions of inequality in value chain, I had to rely on the memories and stories of my informants. Although I had the opportunity to interview some of the founders of La Salada who had been working there from the beginning, the data are not longitudinal.

While La Salada represents one of the largest and most organised informal market places, it does not represent all typologies of informal market places in emerging economies. Consequently, other studies in the future should look at similar informal markets around the world, in particular in regions and contexts where some of the other largest informal markets are located, such as China, Brazil, Mexico, Nigeria, or India. Additionally, while this study has taken as its main unit of analysis the organisational level, other studies could focus more on the individual level, by exploring individual entrepreneurs or more at the field level. Lastly, this study is based purely on qualitative data and specifically on a grounded theory methodology. From the methodological standpoint, while grounded theory is particularly suited for the study of contexts such as the informality, a variety of other approaches could be explored, with different epistemological assumptions, such as comparative case studies.

## **6.5 Future research**

This PhD study clearly unlocks pathways for future research in the field of informal entrepreneurship, institutional entrepreneurship, and also hybrid organisational forms, governance and social movement and organisation theory. Future studies could for example analyse the relationships between changes in policy (Portes, 1994; Portes and Haller, 2005) and the capacity of informal entrepreneurs to increase their opportunity recognition within the informal economy. Another distinctive area of research within this field should look at the use

of avoidance and manipulation tactics used by informal entrepreneurs (Webb et al., 2012) and their related capacity to exploit opportunities. Within this field of research, further exploring the role of family as a constraint or as a factor that explains success for informal entrepreneurs is certainly an area where more effort should be applied.

In terms of hybrid organisational form, this study opens up the opportunity to look at the notion of hybridity in contexts in which they are not usually studied. While it may seem a challenge, this provides new opportunities for more researchers to start new studies by looking at organisations that have something substantially new to tell.

Motivational theories could vividly illustrate some of the individual entrepreneurial behaviours in the field of the informal economy, and future studies could elucidate this relationship more effectively.

From a strategy point of view, further studies could enhance the field understanding of theories related to diversification and areas such as dynamic capabilities (McGahan, 2012). Another emerging area of research is based on studying the role of disruptive technologies and social technologies in the informality and how it affects people's lives. Finally, another theme relevant for organisation theory would be to look at the processes of the social construction of legitimacy in the informal and illegal economy.

## **6.6 Final words**

The informal economy represents an immense source of jobs around the world and a potential engine of economic development. This PhD thesis has highlighted how informal entrepreneurs responded to a context of high economic inequality by exploiting the illegitimacy of formal wage practices. This included the deployment of three social mechanisms: subversion, bricolage, and crafting political opportunity. Collectively, the three studies that make up this thesis have revealed novel knowledge about organisational mechanisms behind informality, constituting a theoretical bridge between the field of institutional theory, inequality, and governance. It has provided fundamental insights for the development of new management theories based on the contexts of emerging economies.

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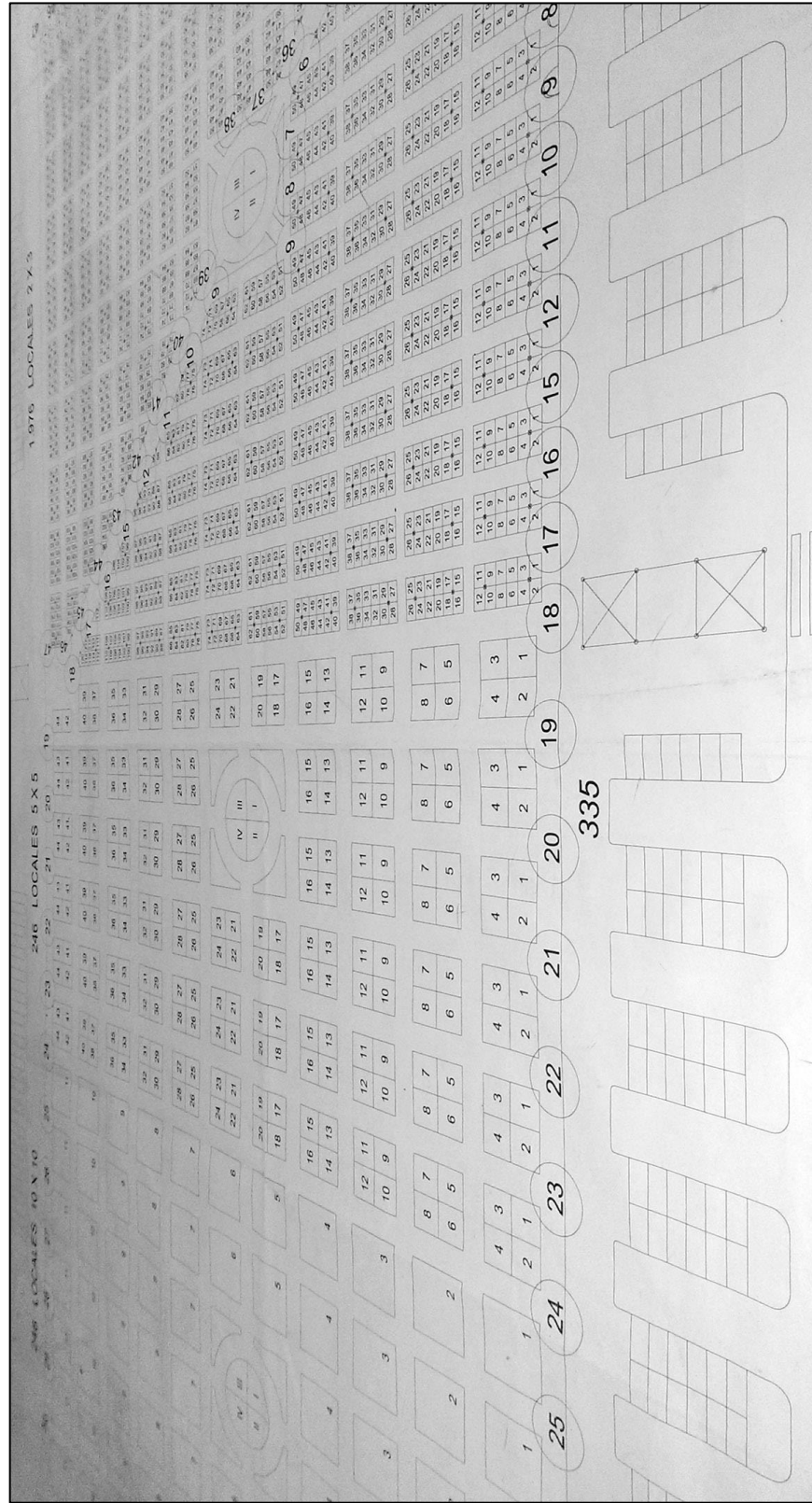
# Appendices

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**Appendix 1:** Aerial view of La Salada market



Appendix 2: La Salada stall layout



**Appendix 3: Pictures taken during fieldwork (1/2)**



A. Varied merchandise displayed along the internal corridors of Punta Mogotes. Items include clothes, fans, towels and cases.



B. Empty stalls at a moment when the market is closed. The image shows structures of varied quality and degree of maintenance.



C. External stalls. The merchandise in display includes fake brand items such as the football t-shirts on the top right corner.



D. Worn and precarious external stalls at a moment when the market is closed. Fabric roofing covers few of the structures.

Appendix 3: (2/2)



E. Escalators and movement inside the market. On the left hand side, there is political propaganda displayed on the wall.



F. Activity in the exterior esplanade between the parked long-distance buses and the market entrance.



G



H



J

G-H-I-J. Examples of different products and services within the market, like beauty products (G), home appliances (H), legal services (I) and bread (H).

**Appendix 4:** Law 14.369 of the Buenos Aires Province (Spanish). Commercial activity, markets, trade co-operatives. Regulation for the installation, expansion, restructuring and functioning. (1/6)

MINISTERIO DE LA PRODUCCIÓN, CIENCIA Y TECNOLOGÍA

BA

**LEY 14.369 (P.B.A.)**

**Provincia de Buenos Aires. Establecimientos comerciales. Ferias internadas, multipunto o cooperativas de comerciantes. Régimen para la Instalación, ampliación, modificación y funcionamiento.**

**Art. 1** – La instalación, ampliación, modificación y funcionamiento de los establecimientos comerciales de múltiples puntos de venta denominados "Ferias internadas, multipunto o cooperativas de comerciantes", en el ámbito de la provincia de Buenos Aires, se regirá por las previsiones de la presente ley.

**Art. 2** – Se entiende por "Ferias internadas, multipunto o cooperativas de comerciantes" a aquéllas que contemplen la instalación de más de seis locales internos dentro de un mismo predio destinados a la venta de mercaderías, al por mayor o menor, de cualquier rubro, ya sean explotados por sus propietarios y/o inquilinos y/o concesionarios y que, en su conjunto, se encuentren ligados contractualmente a un único responsable habilitante del predio.

No estarán alcanzados por la presente ley los establecimientos cuya regulación está prevista por la Ley 12.573; quedan también exceptuados los establecimientos en forma de galerías comerciales y las ferias que se declaren de interés municipal o lo sean como complemento de un evento especial autorizado u organizado por el municipio.

**Art. 3** – La autoridad de aplicación será determinada por el Poder Ejecutivo.

**Art. 4** – Para proceder a solicitar la habilitación municipal, las ferias comprendidas en la presente ley deberán contar con una "pre-aprobación," expedida por la autoridad de aplicación provincial, dentro de un plazo de treinta días, a contar desde que se encuentren acompañadas la totalidad de la documentación y cumplidos los requisitos exigidos en el art. 7 de la presente ley.

Dicha solicitud sin excepción deberá ser solicitada por el municipio donde quiera instalarse la feria regulada por la presente ley.

13. 145

1

LD Preubas Law

**Appendix 4: (2/6)**



**Art. 5** – La autoridad de aplicación creará un registro donde deberán inscribirse los municipios que soliciten la pre-aprobación provincial. El mismo tendrá por finalidad el control efectivo de las solicitudes requeridas, tanto en materia de cantidad como de ubicación, de las mismas, dentro del ámbito provincial.

**Art. 6** – La autoridad de aplicación generará un censo en todas las ferias que queden comprendidas dentro de esta ley de los dueños, locatarios, administradores, comodatarios, etc., de cada uno de los locales de cada predio ferial.

**Art. 7** – La autoridad de aplicación mediante resolución fundada deberá determinar la documentación que debe acreditar el dueño, administrador, responsable, representante en cada paso del trámite de pre-aprobación provincial.

**Art. 8** – La autoridad de aplicación de la presente ley podrá crear un Consejo Asesor "ad honorem", cuyas funciones y alcances serán fijadas por la reglamentación del presente artículo.

**Art. 9** – Los establecimientos comprendidos en la presente ley y establecidos en el art. 2 deberán contar con una superficie máxima de metros cuadrados cubiertos, de acuerdo al siguiente parámetro:

- a) Para municipios de cincuenta mil hasta cien mil habitantes, mil metros cuadrados.
- b) Para municipios de cien mil hasta trescientos mil habitantes, mil quinientos metros cuadrados.
- c) Para municipios de trescientos mil hasta quinientos mil habitantes, dos mil quinientos metros cuadrados.
- d) Para municipios de más de quinientos mil habitantes, tres mil metros cuadrados.

No podrán instalarse nuevas "Ferias internadas, multipunto o cooperativas de comerciantes" en municipios de menos de cincuenta mil habitantes; tampoco lo podrán hacer en zonas donde no se cuente con servicios públicos esenciales como agua corriente y cloacas.

## Appendix 4: (3/6)

MINISTERIO DE LA PRODUCCIÓN, CIENCIA Y TECNOLOGÍA

| BA

Asimismo, no podrán establecerse locales en espacios públicos cuyas tierras pertenezcan al dominio de la provincia de Buenos Aires.

**Art. 10** – En las superficies cubiertas establecidas en el art. 9 los establecimientos deberán contar con una superficie equivalente al treinta por ciento (30%) para estacionamiento de vehículos, así como también para carga y descarga.

**Art. 11** – Los establecimientos deberán contar con una superficie mínima de espacios o pasillos para circulación de sus clientes y superficies de áreas de sanitarios en un porcentaje que no deberá ser inferior al cuarenta por ciento (40%) del total, conforme con parámetros de seguridad que determinará la propia reglamentación.

**Art. 12** – Los establecimientos deberán contar con una cantidad máxima de puestos de venta conforme con la superficie permitida en los arts. 9, 10 y 11, y de acuerdo con lo que dicte la reglamentación de la presente ley. Los puestos no podrán tener una superficie inferior a seis metros cuadrados por puesto de venta.

**Art. 13** – La autoridad de aplicación no otorgará pre-aprobaciones provinciales a establecimientos que se encuentren en un radio inferior a diez kilómetros de otro establecimiento comprendido en el régimen de la presente ley. Tampoco podrá coexistir más de un establecimiento por municipio, a excepción de quienes cuenten con habilitación anterior a la promulgación de esta ley.

La autoridad de aplicación deberá informar al municipio respectivo sobre los pedidos, otorgamientos y rechazos de "pre-aprobaciones provinciales" en un plazo de quince días de emitido el dictamen.

Sin perjuicio de lo establecido en el párrafo anterior, la habilitación es de competencia exclusiva de los municipios, así como la necesaria adecuación a sus normas de zonificación y urbanización en cada uno de ellos.

**Art. 14** – El trámite de habilitación deberá iniciarse ante el municipio de la jurisdicción que correspondiere y será remitido a la autoridad de aplicación provincial, para cumplimentar la tramitación de la pre-aprobación provincial.

## Appendix 4: (4/6)

MINISTERIO DE LA PRODUCCIÓN, CIENCIA Y TECNOLOGÍA

| BA

**Art. 15** – Queda prohibido a los municipios la sanción, promulgación y/o modificación de ordenanzas de zonificación, asignación de usos y destinos, cuya finalidad sea la de posibilitar la radicación, habilitación, ampliación, división o fusión de los establecimientos referidos en el art. 2. Tampoco podrán los municipios otorgar excepciones, exenciones y/o beneficios de carácter tributario a los emprendimientos comerciales alcanzados por la presente.

Toda norma municipal que viole lo dispuesto en este artículo será nula de pleno derecho. Igual nulidad corresponderá a las autorizaciones y/o permisos otorgados que deriven de la misma.

**Art. 16** – La habilitación de los establecimientos comerciales definidos en el art. 2 de la presente ley es competencia exclusiva de los municipios y procederá cuando el peticionante reúna la pre-aprobación provincial y todos los requisitos que a ese efecto establezca cada Honorable Concejo Deliberante del municipio que corresponda, quedando prohibido el otorgamiento de permisos y/o habilitaciones provisorias.

La habilitación definitiva se hará por ordenanza sancionada por 2/3 de los miembros del cuerpo.

La vigencia de las pre-aprobaciones provinciales y habilitaciones municipales caducará en el plazo de un año a contar desde la notificación del otorgamiento de esta última.

Sin perjuicio de ello, el interesado podrá solicitar, mediante escrito fundado y con antelación mínima de un mes al vencimiento del plazo, la concesión por una sola vez de una prórroga de su vigencia por el período de un año.

**Art. 17** – A los establecimientos comprendidos en el art. 2, y que cuenten con habilitación municipal anterior a la sanción de la presente ley, no se les requerirá la tramitación de la pre-aprobación y quedarán exceptuados de lo establecido en el art. 9, en cuanto a las superficies cubiertas, y de lo dispuesto en el art. 13, debiendo cumplimentar lo prescripto en el resto de los artículos en un plazo de un año contado a partir de su reglamentación y conforme con lo que dicte la misma.

**Appendix 4: (5/6)**

MINISTERIO DE LA PRODUCCIÓN, CIENCIA Y TECNOLOGÍA

BA

Aquellas “Ferias internadas, multipunto o cooperativas de comerciantes” que hubiesen sido instaladas, autorizadas a funcionar y/o habilitadas dentro del plazo de suspensión por ciento ochenta días dispuesto en el art. 1 de la Ley 14.155, deberán tramitar en forma inmediata la pre-aprobación provincial conforme al procedimiento y a las pautas establecidas en la presente ley, no quedando alcanzadas por las excepciones mencionadas en el párrafo precedente.

**Art. 18** – Será atribución de la autoridad de aplicación vigilar el cumplimiento de la legislación que rige:

1. La lealtad comercial.
2. Los derechos de consumidores y usuarios.
3. Defensa de la competencia.
4. En general la comercialización de bienes, productos y servicios.
5. Establecer los parámetros de seguridad que deberán cumplir los establecimientos alcanzados por la presente ley, conforme con las normativas vigentes y a lo establecido en la propia reglamentación.
6. Cobro de las multas.

**Art. 19** – La autoridad de aplicación será competente para intervenir y controlar el cumplimiento de lo previsto por la presente ley y para juzgar las infracciones y aplicación de las respectivas sanciones, conforme con lo que determine la reglamentación y siempre que esta competencia no se superponga a la de los municipios.

El Poder Ejecutivo deberá prever en su reglamentación la escala de sanciones, que oscilarán entre diez hasta mil salario mínimos vitales y móviles. En caso de reincidencia aplicará el doble de la multa y clausura del establecimiento por un plazo máximo de hasta ciento ochenta días, no pudiendo solicitar la empresa sancionada una nueva habilitación en todo el territorio bonaerense por el término de dos años y, en caso de poseer una habilitación en trámite, se le suspenderá el mismo por igual período de tiempo.

**Appendix 4: (6/6)**



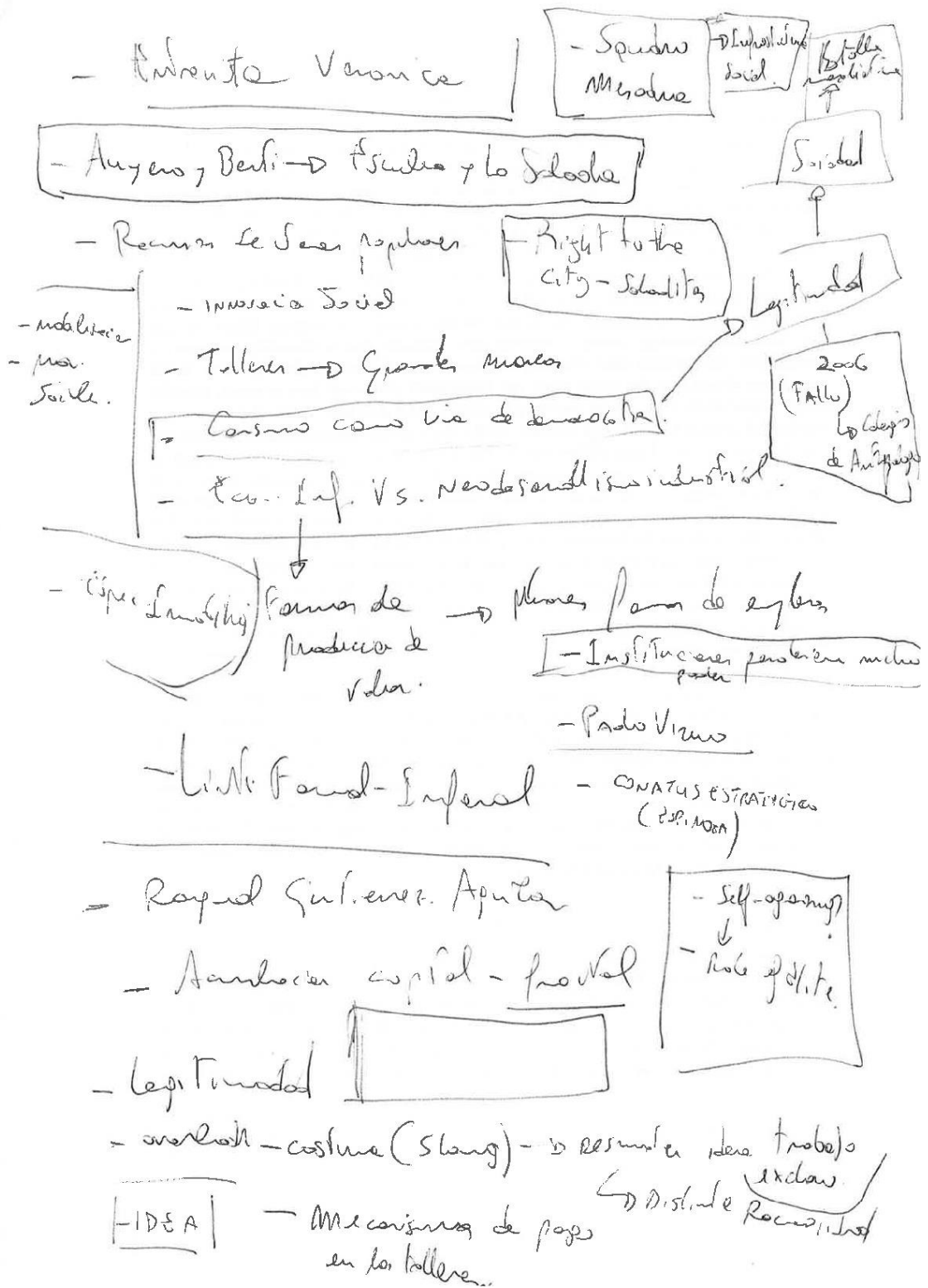
El importe de las multas resultantes de las infracciones previstas en la presente ley se deberán depositar en la cuenta especial "Fondo de Reversión Minorista" creada por el art. 22 de la Ley 12.573.

**Art. 20** – El Poder Ejecutivo deberá implementar, a partir de la promulgación de la presente ley, la infraestructura, equipamiento y reasignación del personal necesario, y asignar las partidas presupuestarias para alcanzar los objetivos establecidos en la presente.

**Art. 21** – Los administradores, propietarios, desarrolladores y/o los responsables de la locación de cada uno de los puestos que formen parte de los establecimientos definidos en la presente ley deberán actuar como agentes de retención y/o percepción de todos los tributos provinciales y municipales. Los mismos serán responsables en forma solidaria por el incumplimiento de las cargas fiscales de los puestos que funcionan dentro del predio.

**Art. 22** – De forma.

Appendix 5: Fieldwork notes (1/7)



Appendix 5: (2/7)

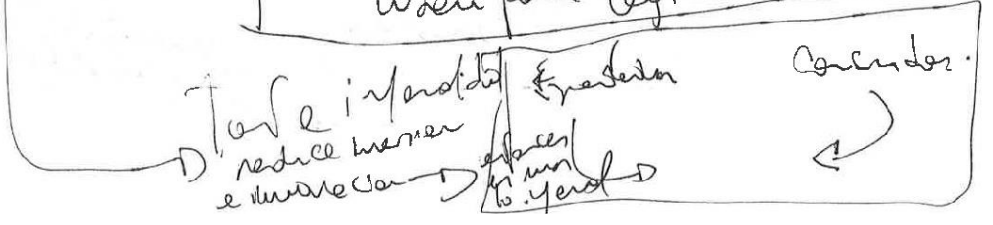
- Miedo como infernal VS. miedo maternal

- Como America

- normas que se establecen en el flujo -> Legitimidad (Aguas):

- Poder simbólico marca el Marabá parte de orgánico -> lugar pertenencia -> sistema social
- Alta presión física -> presión tributaria
- y para los otros es reducir el tiempo de espera -> sin cargo

- Estrategias retóricas que se usan para legitimar:



Appendix 5: (3/7)

- Infante's experience

Infante v. The People  
Crime

- Como Mandate  
(La Felicia)

Commerce  
Sector public's

Nepotism illegal

Nepotism  
Infants

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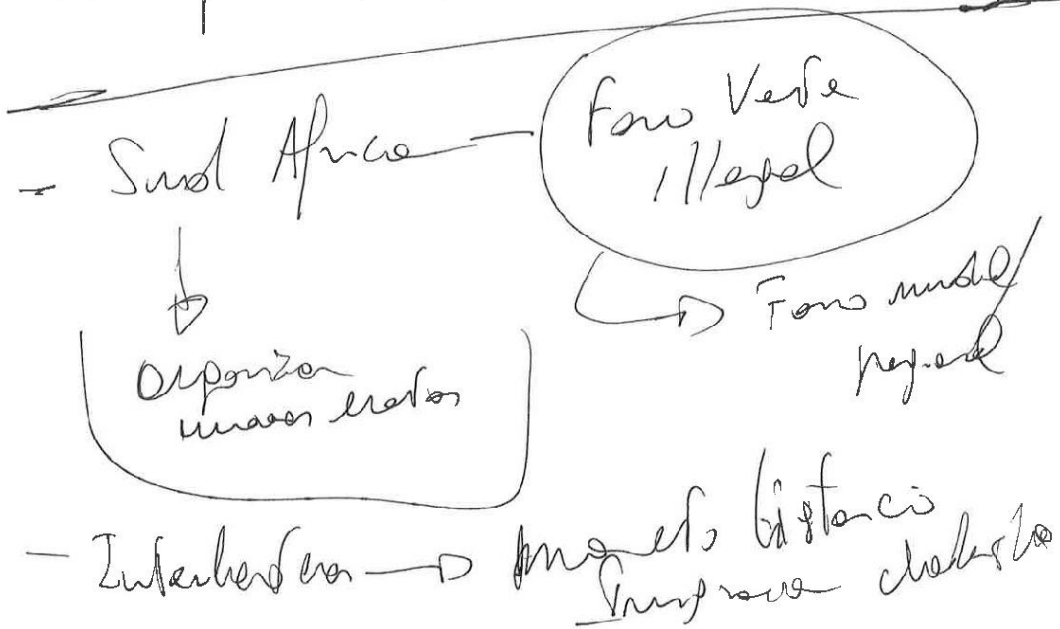
- mount but is the  
(public)

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Appendix 5: (4/7)

- Castillo describe una debilidad / ilegalidad en un sistema por tres otros niveles de legalidad → muestra una deficiencia por el carácter lo acepta por la falta de respuestas del estado.

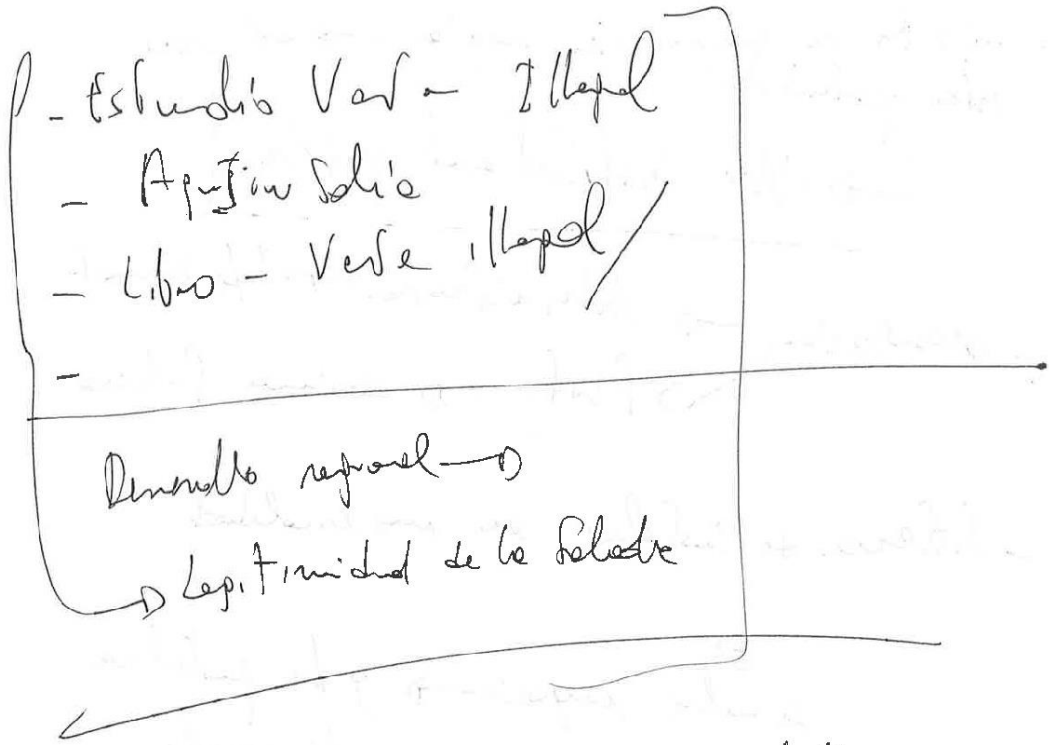
- volver a describir la estructura / operación del negocio ilegal / ilegal → desde la Soledad → se refiere a Salas, Plaza, otros países etc.



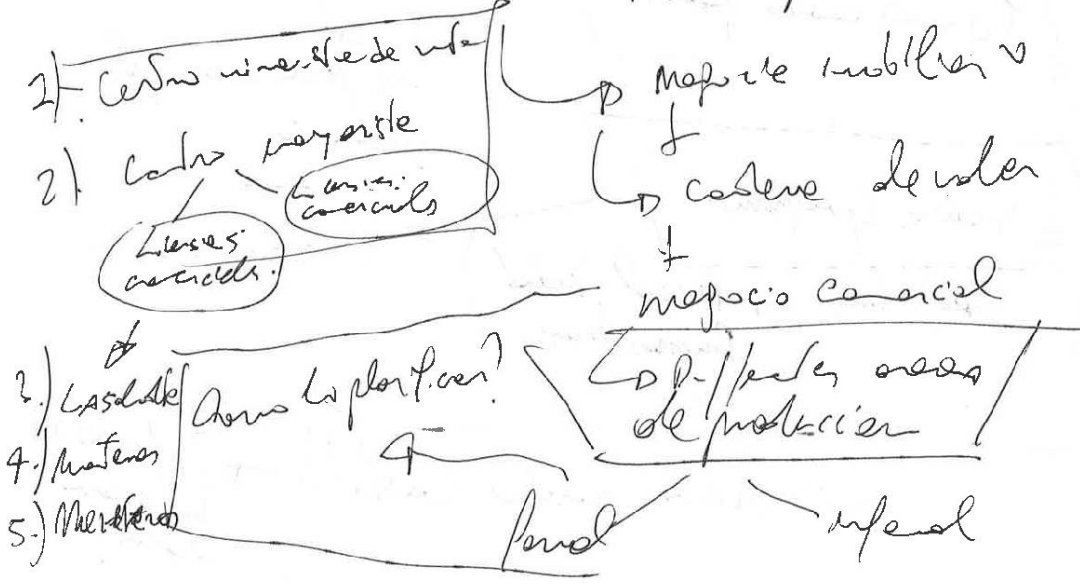
Appendix 5: (5/7)

- Los puntos, Hejales  
afuera los tienen (a ser  
Cosillo y (del) y (pape?)

Appendix 5: (6/7)



- Crisis - 201 -> economía sustitución  
 ↳ 26% litigios



Appendix 5: (7/7)

→ En un campo sin reglas → el otro  
tiene oportunidades

↳ Use institucionalizados

- organice → Administrativa → Jefe de anal.  
↳ Parte → como política

- sistema se instala en metodol.

↓  
se debe revisar → y de política  
de aceptar  
(y se instala)

10,000,000 pesos

± Sastre Guaymas.  
↳ prop. de la fiscalidad  
Buenos Aires

↳ el proceso de  
financie

↳ Factura micho Castillo → ¿todavía  
lo hacen  
solo?

## Appendix 6: Memo of the cluster: Grounded theory exercise (1/2)

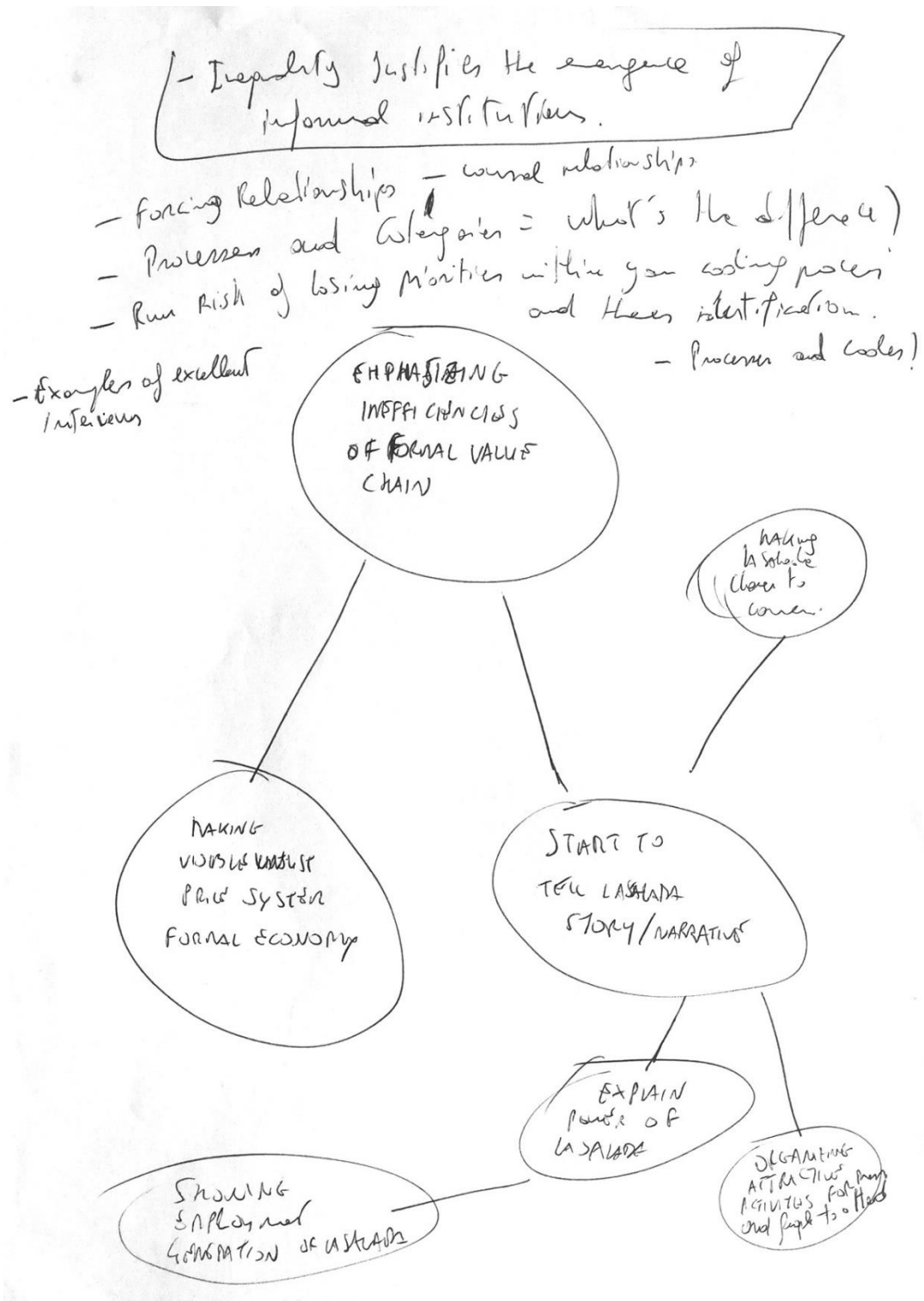
## MEMO OF THE CLUSTER (ANALYSIS)

By emphasizing the inefficiencies of the formal value chain, they provide a cogent of how formal retailers take advantage in the value chain, ~~at~~ mostly of the expenses of the final consumers but also workers.

To do so, they point out to the illegitimate and unjust price system which generates the high inflation that characterizes the macro (economic) environment of Argentina. Furthermore they also explain how the productive base of the informal economy, the sweatshops, are also widely used by the formal economy retailers. By doing ~~so~~, they are able to increase (formal economy retailers) enormously their profits, ~~and~~ diminishing the access to products for a large group of people. They facilitate the process of understanding the unfairness of the price system and also the rent-seeking behaviour within the value chain. (predatory behaviours)

From this starting point, they start to tell the story of ~~be~~ ~~be~~ ~~be~~, build their narrative, and showing the legitimacy of their action, by highlighting the high level of employment generation or by making ~~be~~ ~~be~~ ~~be~~ closer to the consumer needs (low price).

Appendix 6: (2/2)



## Appendix 7: Prewriting with Focused Codes

### PREWRITING WITH FOCUSED CODES – (Already a form of memo writing in fact)

- **Emphasizing the inefficiencies (and injustices) of formal the value chain –**
  - They highlight forms of inequality that are normally hidden or not widely discussed with general public. They provide with an alternative explanation of why informal economic activities take place and why they sustain themselves and become more legitimate. They provide with a solid justification of why consumers more and more decide to buy (purchase) goods in this informal market.
- **Making visible the injustice price system of formal economy and causes of inflation**
  - They make visible that the unfair price system in Argentina is often generated by the textile-apparel-garment industry (supply side). They make visible the fact that formal and informal ventures both use informal sweatshops for the production of the same products and that organisations in formal economy have an outstanding level of profitability, making it impossible for working poor and middle-class consumers to have access to multiple types of products.

### HOW TO WRITE A MEMO – Category Emergence/development

1. *Making visible the injustice in formal value chain – Showing inequality in formal value chain – Emphasising formal inequality(ies) –*
2. *Uniting against injustice price system – Unifying against unjust price system – Democratizing informal consumption – Democratizing consumption*

How to place the category within an argument??

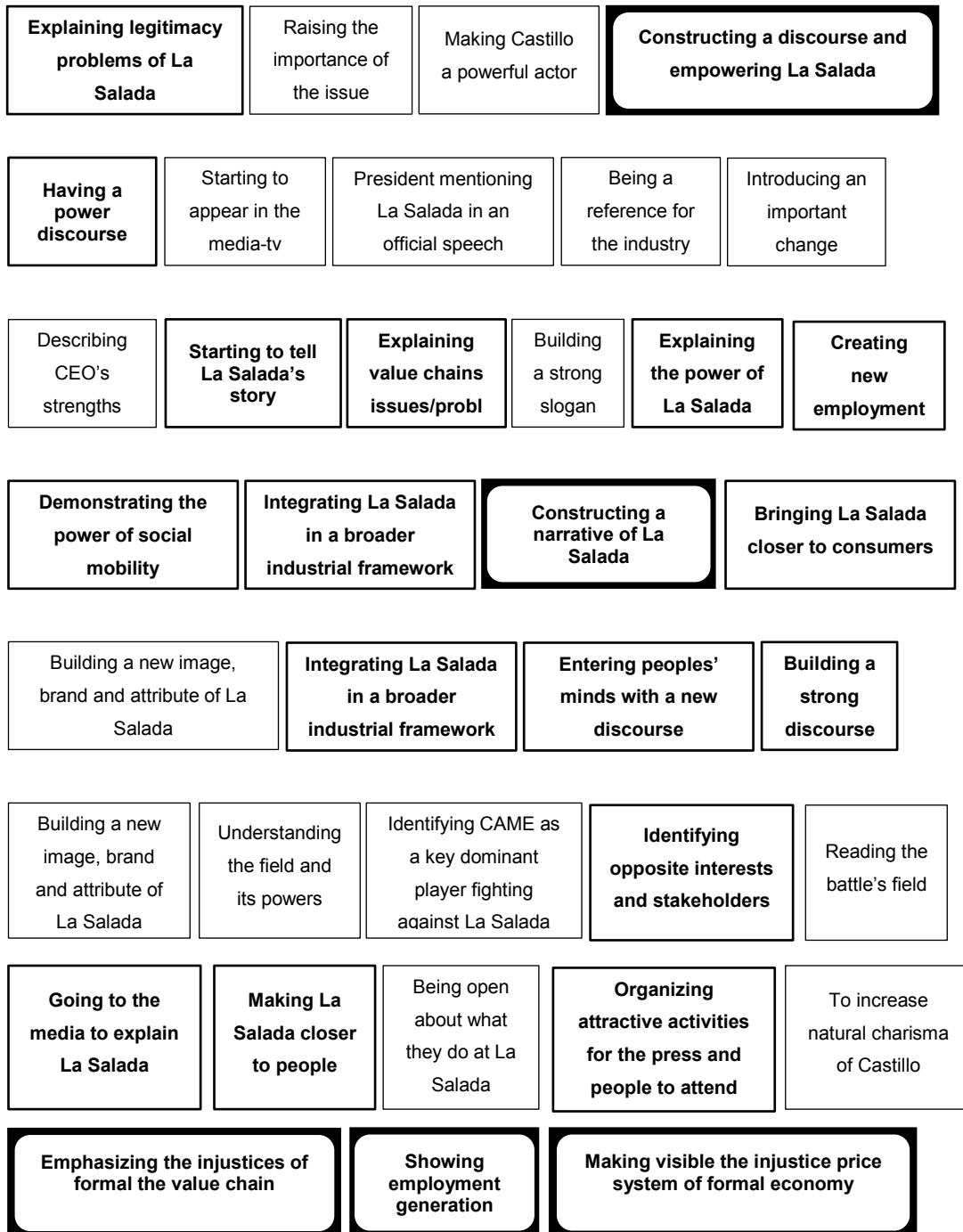
- The above written categories can be further refined (in a more precise and compelling way)
- In this case the category defines quite well the content and key insight of this interview (Ruben)
- Some of the gaps are related with the lack of proper linking the different codes (different arguments used by Ruben during the interviews) in a more coherent and structured story, that moves coherently from A to B.
- The properties of the category I have: Is not specific enough – it does relate with inequality and informality – (much more specific dimension of inequality is needed)
- The conditions that explain the emergence of this category are related with emphasis put on the legitimacy of the informal venture and what forms of inequality they challenge by making visible incoherencies and inefficiencies of the formal economy – Or in other words, the formal economy is so inefficient and unjust, that the way informal ventures compete becomes a response to inefficacies and inequality (rent seeking behaviour characterising powerful actors in the value chain)

**Appendix 8:** Table showing figures of concurrence to the main shopping centres of the Metropolitan Region of Buenos Aires, 2009. Source: Argentinian Chamber of Shopping Centre (CASC). La Salada appears to be the third in importance with an estimation of 50.000 persons in one day.

<b>Afluencia de público en los principales Paseos de Compras considerando el caso de La Salada / Región Metropolitana de Buenos Aires - Año 2009</b>		
Nombre	Publico	
	Mes	Dia
Unicenter	2.800.000	93.333
Abasto	1.614.320	53.811
<b>La Salada</b>		<b>50.000</b>
Plaza Oeste Shopping	1.350.000	45.000
Alto Palermo	1.000.000	33.333
Dot Baires Shopping	1.000.000	33.333
Galerías Pacífico	800.000	26.667
Alto Avellaneda	709.153	23.638

FUENTE: Cámara Argentina de Shopping Center (CASC), el dato de La Salada son estimaciones de los medios consultados para el domingo único día en que abre para todo público, los miercoles es de venta por mayor

Appendix 9: Coding diagram example



**Appendix 10:** European Union resolution on La Salada regarding intellectual property rights.**ARGENTINA****1. Nature of the problems**

In terms of negative economic impact on EU IP right-holders Argentina is certainly not at the same level as many other countries equally considered as priorities. However, it is one of the countries more frequently mentioned by stakeholders as being unable to effectively protect and enforce their rights. An example of this was the fact that Argentina was one of the countries for which more complaints were received following the Commission's recent IPR Enforcement Survey.

EU industry considers that IPR infringements in Argentina are widespread and affect different types of IP rights: Pirated optical disks (music CDs, film DVDs and software) counterfeit textiles, clothing, spare parts and toys as well as counterfeit pharmaceuticals and agro-chemical products and usurpations of EU geographical indications, infringements of designs, etc.

Infringing products are either imported or produced locally and are traded freely and in considerable quantities both in the streets (*La Salada* Market) and in shops. The problem is particularly serious in the so-called Tri-Border Area (Brazil-Argentina-Paraguay), where there is a large scale traffic. Paraguay is used as a transit point for fake goods imported from Asia (China, Taiwan) and distributed into Argentina.

There is a considerable backlog within the Argentinean patent office. The extent of the backlog puts in question Argentina's implementation of TRIPS.

In more general terms, the main problems identified are a low level of consciousness on the importance of IPR protection among authorities. Right-holders report that response from the competent authorities is frequently slow and ineffective, particularly when urgent or provisional measures are sought from courts. Sanctions actually imposed appear not to be deterrent enough to prevent infringements.

**2. What is the country doing ?**

The national Patent office is implementing a series of measures aimed at tackling the backlog in the granting of Patents (which currently stands at 15,000 requests).

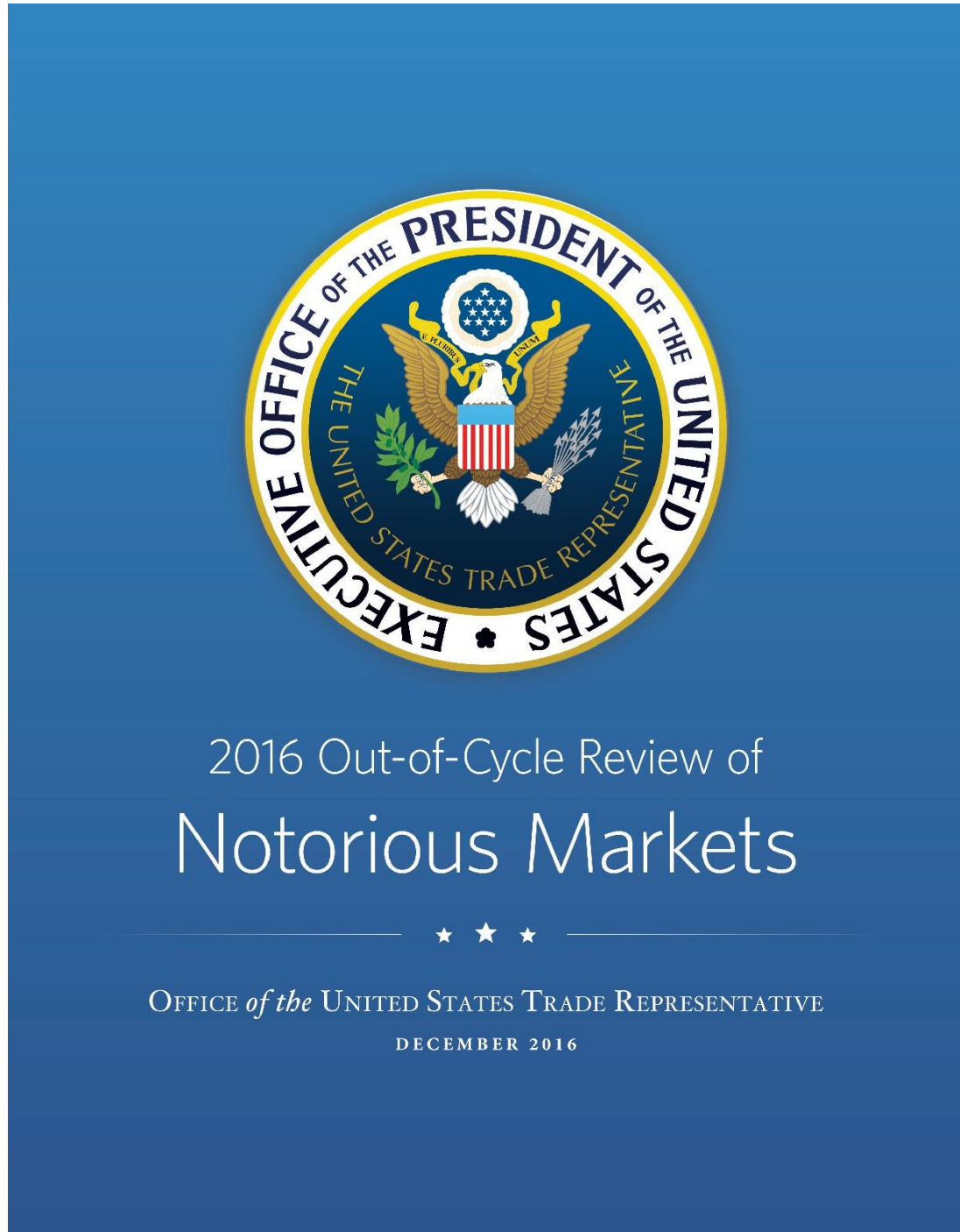
In terms of Geographical indications, a recent amendment to Law 25380 (2000) which applies to food and agricultural products, introduces an additional protection for GIs and allows the registration of foreign GIs.

The Customs Code was amended in December 2004 and now includes *ex officio* border actions which, once implemented, should facilitate seizures and detection of counterfeit and pirate products.

During the last two years, as a result of the extensive interpretation by the courts, case law was developed to help implement and interpret the TRIPS Agreement. Some decisions taken by the Supreme Court of Justice have clarified misunderstanding that had arisen from the interpretation of IP laws.

On the other hand, the Argentinean government vocally opposes any discussion about IP enforcement in TRIPs and rejects any external cooperation to address the problem. It strongly opposed all enforcement proposals made by the Commission during the Mercosur negotiations and is (together with Brazil) the main critic of the enforcement discussions that the EU launched at the TRIPs Council in 2005.

**Appendix 11:** 2016 Out-of-Cycle Review of Notorious Markets by the Office of the United States Trade Representative. La Salada appears within this group of markets. (1/3)



**Appendix 11: (2/3)****Physical Markets**

The Internet has brought about a global revolution in the authorized and unauthorized distribution of films, music, software, video games, and books. The Internet also makes available innumerable sites that facilitate the distribution of legitimate and counterfeit products to consumers worldwide. In some countries, infringing physical media (including CDs, DVDs, video game cartridges, pre-loaded computer hard drives, and other storage devices) continues to be prevalent. In most countries, online distribution of, or access to, unauthorized copyright-protected content has largely replaced physical distribution of media. Physical markets, however, remain a primary distribution channel for counterfeits in much of the world.

As in past years, copyright-intensive industries nominated online markets more than physical markets. Several commenters focused exclusively on notorious online markets due to the rise of digital distribution and online infringement. In contrast, trademark-based industries continued to nominate both online and physical marketplaces.

In a global environment, basic enforcement against unscrupulous retailers will not be sufficient to reduce the flow of counterfeit products. To address 21st century challenges, governments need targeted, modernized enforcement tools including:

- enhanced criminal penalties for particularly serious cases, such as trafficking in counterfeit trademark products that threaten health and safety;
- robust border enforcement authority to interdict small consignment shipments, such as those sent through postal or express courier services;
- asset forfeiture, a tool which can be used to reach the custodians of locations where infringing products are sold and stored;
- effective border enforcement measures to prevent the exportation of counterfeit and pirated goods manufactured in their countries, the importation of such goods into their countries, and the transiting or transshipment of such goods through their countries on the way to destination countries;
- criminal procedures and penalties for trafficking in counterfeit labels and packaging; and
- customs and criminal authorities to detain and seize counterfeit and pirated goods entering into and exiting from Free Trade Zones.

Another key to reducing piracy and counterfeiting lies in the ability to influence demand and redirect the consumers who knowingly participate in illicit trade to legitimate alternatives.

As in past years, several commenters continue to identify China as the primary source of counterfeit products. Some Chinese markets, particularly in larger cities, have adopted policies and procedures intended to limit the availability of counterfeit merchandise, but these policies are not widely adopted, and enforcement remains inconsistent. At the same time, some online markets are cooperating with law enforcement on counterfeiting and piracy operations offline. It is reported that in many instances, Chinese authorities engage in routine enforcement actions in physical markets. The United States welcomes these efforts and recommends their expansion to combat more effectively the scale of the reported problem in China, with a special focus on the following key markets:

**Appendix 11: (3/3)****La Salada**

Buenos Aires, Argentina

La Salada is well-known in South America as one of the largest black markets for IP-infringing goods. There are roughly 5,000 stalls that attract hundreds of thousands of shoppers when the market is open. Considerable quantities of a wide variety of counterfeit goods are reportedly sold at the market and re-sold throughout the city, country, and region. Most goods appear to be imported from China but some local assembly and finishing may also take place in and around La Salada. Large-scale raids related to counterfeiting or piracy have not occurred over the past year.