Theorization of New Practices in Emerging Organizational Fields

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Commercialization has been a terrible wrong turn for microfinance, and it indicates a worrying ‘mission drift’ in the motivation of those lending to the poor. Poverty should be eradicated, not seen as a money-making opportunity.

—Yunus (2011)

Organizational actions are subject to multiple interpretations by the constituents of organizational field and are often prone to lose legitimacy in an uncertain environment. To ensure that organizational practices are given meaning in a deliberate way, actors resort to ‘theorization’. The institutional theory literature looks at theorization as a legitimacy seeking strategy. IT defines the goal of theorization as mobilizing support and justifying new courses of action. By linking legitimacy, theorization, and emerging field, this article explores the question of how do the organizations theorize a new practice in an emerging field.

Emerging organizational field is distinguished from a mature organizational field across four dimensions: extent of interactions among organizations, defined structure of domination and pattern of coalition among organizations, information sufficiency within the organizational field, and existence of commonly shared purpose among organizations. Theorization would focus on two important questions for justifying a new practice: ‘base of legitimacy’ and ‘audience for seeking legitimacy’. The article argues that in an emerging field, organization would theorize new practices with variants of moral and pragmatic legitimacy as base and would target the constituents of normative and market governance structure as the intended audiences.

The article presents four propositions linking each of the dimensions of the emerging organizational field. It suggests that organization would theorize new practices by focusing on exchange, procedural, structural, and consequential legitimacy. The article contributes to existing literature by linking the characteristics of the emerging field to focus and audience of theorization strategy. With the growing prevalence of hybrid organizations, organizations are commonly exposed to multiple and even contradictory institutional demands. Understanding the focus of theorization and the intended audience can help these organizations to be more persuasive in seeking legitimacy.

The year 2010 was a path-defining year for Indian microfinance because of two major incidents. First, SKS Microfinance, the largest and the most recognizable microfinance organization in the country, raised US$ 347 million through an initial public offering (IPO) in August. It generated mixed responses—the investors were impressed with the good asset quality and disciplined model of microfinance in SKS. On the other hand, one of the strongest critiques of the IPO
came from Muhammad Yunus, the father of microfinance. He, like many other leaders, was against the idea of making money from microfinance. The second incident happened in October. The national media reported suicide cases of farmers from Andhra Pradesh, many of whom were clients of microfinance organization, including SKS Microfinance. The incident was strongly reviewed by the media, and the Government of Andhra Pradesh banned lending by commercial microfinance organizations for a couple of months.

The IPO and the subsequent suicides by the borrowers of commercial microfinance threatened the legitimacy of commercial microfinance. Legitimacy refers to a popular perception of what is considered right and appropriate. Microfinance non-government organizations (NGOs) who transformed from a non-profit to a for-profit format during 2009–2010 found their legitimacy was challenged. How did these organizations justify the adoption of new business practices in the given context? Although they had a legitimate organizational identity from the regulatory point of view, their legitimacy from the stakeholder’s point of view was at stake. The microfinance experts from finance and economics field viewed commercialization as desirable. Other experts from social sector viewed the generation of profit at the expense of poor people as morally wrong, and hence it was illegitimate (Pache & Santos, 2010). The problem was more acute due to the peculiarity of the Indian microfinance. The field itself was emerging and struggling to find a stable balance between the twin logics that governed microfinance (Kent & Dacin, 2013). While one logic stresses the role of microfinance organizations as a financially viable organization (banking logic), the other emphasizes on reaching the poorest of the poor (development logic).

This illustration of the microfinance sector is a situation in an emerging organizational field, where the organizations adopting a new practice face the risk of losing legitimacy. An organizational field is a set of organizations that interact with each other while producing goods and services. Through the process of interaction, the organizations generate certain norms to be adhered to, define regulatory provision to operate, create a boundary for the field by identifying its members, and establish a sense of appropriate way of behaving. For a mature field, most of these norms, regulatory provisions, field memberships, and appropriate way of behaving are well defined. However, for an emerging organizational field, such institutional arrangements are in a state of evolution. There is no shared belief system to dominate the emerging field. The institutional scholars acknowledge that an organization faces legitimacy threat in a field with plural demands (Kraatz & Block, 2008) and the organizations often adopt different coping strategies (Greenwood et al., 2011; Pache & Santos, 2010) to manage the legitimacy. One of the coping strategies is adoption and diffusion of new practices apart from creating a new organizational identity or new organizational forms, etc.

Such organizational actions are not enough to ensure the legitimacy from the constituents of an organizational field. This is because any organizational action is subject to multiple interpretation derived from multiple world views. Therefore, there is a need to give proper meaning to the organizational action. To ensure that the organizational actions are interpreted in a deliberate way, the organizations resort to theorization (Greenwood, Suddaby, & Hinnings, 2002). Theorization acts as a process that ensures acceptance of the organizational actions to organizational stakeholders. It is defined as a process through which an organization can justify the change in the organizational practices with pragmatic terms. The works on theorization (Maguire, Hardy, & Lawrence, 2004; Suddaby & Greenwood, 2005; Vaara, Tienari, & Laurila, 2006) give us a framework on the focus of theorization and its intended audience. Rhetoric has been used as a major tool for theorization by an organization, as it diffuses the new practices. Theorization has been often associated with the organizational action of making practices acceptable. However, the existing understanding on theorization does not relate the legitimacy with the different stages of field development such as emerging or mature fields.

We intend to fill this gap by addressing the following research question: how do the organizations theorize a new practice in an emerging field? The question has two central focuses: theorization and emerging field. The theorization leads us to explore the concept of legitimacy and its dimension, and the emerging field guides us to explore the attributes of the field.

The attributes of an emerging field help us to understand the different situations under which the legitimacy for new practices becomes desirable. The contextual understanding of the emerging field helps us to
present the specific legitimacy requirement at different stages in an emerging field. We begin by identifying the attributes of an emerging field and its difference with a mature field. We then explore the types of legitimacy and the potential audience for legitimacy. This is important as it helps us to understand, in the context of an emerging field, two important questions as follows: (a) legitimacy of what? and (b) legitimacy to whom? After this, we present the notion of theorization and develop four propositions on how the organizations would theorize new practices in an emerging field. We conclude with discussing the contribution and the limitation of the article while also suggesting the directions for future research.

EMERGING FIELD VERSUS MATURE FIELD

An organizational field comprises a set of organizations, which in totality represent a recognized area of institutional life (DiMaggio & Powell, 1983). The set of organizations include suppliers, consumers of resources and products, regulatory agencies, and other organizations producing related goods and services. A field is distinguished from an industry because the field typically includes not only the organizations producing similar kind of products and services but also the other organizations that influence their performance and conduct. For example, a car manufacturing industry may typically include the organizations in the business of manufacturing car. However, an organizational field of car manufacturer would include other organizations such as regulators, funding organizations (banks), accreditors of quality, and other intermediary organizations.

The research work on the organizational field has classified the field-level structures (defined interactions among actors) as mature and emerging field (Anand & Peterson, 2000; Child, Lu, & Tsai, 2007; DiMaggio, 1991; Lawrence, Hardy, & Phillips, 2002; Maguire et al., 2004; Phillips, Lawrence, & Hardy, 2000; Purdy & Gray, 2009). The journey of a field from an emerging stage to a mature stage is accomplished through the process of structuration, which is also termed as institutionalization. DiMaggio and Powel (1983) argued that the organizational fields have four attributes that differentiate an emerging field from a matured one (Table 1).

| Dimension | Mature Field | Emerging Field |
|-----------|--------------|----------------|
| Extent of interactions among organizations | High | Low |
| Defined structure of domination and patterns of coalition among organizations | The structure and patterns are sharply defined | The structure and patterns are in an emerging state; not clearly identifiable |
| Information sufficiency with organizations | High | Low |
| Participants from organizations share a common purpose of existence | Majority of participants have a common purpose of existence | Not many have a shared understanding on purpose of existence |

First attribute is the interaction among the organizations within the field. When there is more interaction among the organizations, there is higher stability. Suppliers, buyers, consumers, and producers interacting on a regular basis lead to the standardization of practices as well as formation of rules. In the case of a mature field, the interactions are more frequent as the rules of interactions such as contracts, labour laws, etc., are more developed and established. In an emerging field, however, the rules governing the interactions are still in the developing phase and there are ambiguities on the nature of exchanges that take place across the organizations. One of the outcomes of low interaction is that there exists a weak network of organization with little coordinated action (Gray, 1985).

The inter-organizational linkage in an organizational field can be fairly comprehended through the notion of connectedness (Laumann, Galaskiewicz, & Marsden, 1978). It signifies the extent and existence of transactions binding the organizations with one another. A field with a higher level of connectedness implies large numbers of transactions taking place within the field that binds most of the organizations with one another. Such an inter-linkage among the organizations might include a formal contractual relationship of a supplier and a producer, participation of employees in a common forum such as an advocacy meet, or informal relationship like job hopping by employees. In a mature field, the level of connectedness among the organizations is expected to be high because the inter-linkages among the organizations are more clearly defined and established. While in the case of an emerging field, the
constituents are still exploring different mechanisms of inter-linkages with different sets of organizations.

The second attribute is related to the structure of domination and the patterns of coalition among the organizations. Domination by a set of organizations (over others) based on resource accessibility and control, and coalition among constituents for lobbying and influencing, are the characteristics of a mature field. With increasing transactions among the organizations, the bargaining power of buyers, sellers, consumers, etc., is more or less established in a matured field. The dominant coalitions among the organizations help to establish appropriate institutional norms within the field. These inter-organizational relationships are articulated and regularized through collective actors such as professional associations (Greenwood et al., 2002; Lounsbury, 2002; Purdy & Gray, 2009), social control agents such as national and local governments (Greve, Palmer, & Pozner, 2010), tournament rituals like award functions (Anand & Watson, 2004), and informediaries such as media and consultants (King, 2008). Unless there is some serious disruption, for example, arrival of a new technology or discovery of an effective alternative product, the positions of different constituents remain more or less stable. In the case of an emerging field, it is unlikely to have a set of organizations exercising domination across the field. Rather, the organizations would resort to exercise their influence in sub-communities through some incompetent institutional orders. These substandard institutions termed as proto-institutions remain narrowly diffused across the field (Lawrence et al., 2002).

Third, in a mature field, due to standardization of institutional infrastructure, there is a higher degree of information sharing across the organizations resulting in sufficiency of information among the constituents. The equal access to information helps in maintaining stability within the field. In the emerging field, there is a dearth of information flow across the constituents causing a sense of uncertainty. Because of such uncertainty, the institutional norms and rules defining the legitimate actions and acceptable behaviour are ambiguous (Garud, Jain, & Kumaraswamy, 2002; Navis & Glynn, 2010).

Fourth, in a mature field, with growing transactions, standardization, and sharing of information, the participants generally tend to identify themselves with the field and, in turn, have a common purpose for existence. However, in an emerging field, the participants do not share a common identity and accordingly it does not have a purpose of existence, which is commonly shared.

The research initiatives on the emerging field focus on the formation of the emerging fields, namely how do the new forms of the organizations (for example, non-banking financial companies (NBFCs) as microfinance organizations) flourish in the phase of transition (Scott, 2000), how does a field-configuring event act as a structuring mechanism for the field development (Lampel & Meyer, 2008), how do the institutional entrepreneurs initiate institutional changes (Maguire et al., 2004), etc. These works have emphasized on the composition of an emerging field and its evolution. Considering the unpredictable nature of the emerging field, these studies indicate that the organizations seek legitimacy for their action to ensure their survival and access to critical resources. In the sections that follow, we present a discussion on the legitimacy of the organization and discuss the role of theorization in seeking the legitimacy.

**ORGANIZATIONAL LEGITIMACY**

Legitimacy has emerged as a central concept in the institutional theory and is often understood as the cultural support received by an organization for its action (Meyer & Scott, 1983). Legitimacy is used as an explanation for organizational action. Accordingly, it is argued that for any action to be acceptable, it needs to be legitimized. Hence, it gains importance in justifying the adoption of new practices by the organizations. Legitimacy is defined as ‘a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions’ (Suchman, 1995, p. 575). Legitimacy is an evaluation of organizational action to the extent that the organizations departing from societal norms may not be able to retain their legitimacy in the end. The institutional theorists have recognized organizational legitimacy as a critical resource related to the survival of an organization. Since it is a generalized perception or assumption, it reflects the reaction of observers as they evaluate the organizational action as well as the organization itself. Thus, the legitimacy is also socially constructed and the meaning attached to the organizational action by constituents leads to the construction
of legitimacy. The legitimacy is objectively possessed in a sense that the organization may lose it or earn it. However, it is subjectively constructed such that the behaviour of the organization must be in congruence with the shared belief of some social group.

The dimensions of the organizational legitimacy received substantial attention during the 1990s (Deephouse & Suchman, 2008) and the theorists have identified several dimensions of legitimacy (Aldrich & Fiol, 1994; Stryker, 1994; Suchman, 1995). Suchman (1995) has worked extensively on dimensions of legitimacy and identified 12 types of legitimacy broadly covered under three major categories: pragmatic, moral, and cognitive legitimacy (Table 2). The pragmatic legitimacy involves perception about how the organizational actions visibly affect the self-interest of their immediate audiences. These actions are considered legitimate, in case it protects the well-being of the organizational constituents. The pragmatic legitimacy can take three variants: exchange legitimacy, influence legitimacy, and dispositional legitimacy. The moral legitimacy is derived from the judgement whether the observed activity is ‘the right thing to do’; it reflects the socially constructed value system of the interested constituents. The moral legitimacy takes four forms: consequential, procedural, structural, and personal legitimacies. The cognitive legitimacy involves the acceptance of an organization as necessary or inevitable based on some cultural account. It actually does not involve any kind of evaluation of the organizational action rather focuses on the cultural appropriateness of the action. The cognitive legitimacy can take two forms: comprehensibility and taken for granted.

Another major concern in justifying the adoption of new practices are the questions: (a) justification to whom? and (b) who would be the audience for justification? Meyer and Scott (1983) argued that any entity that has the capacity to mobilize and confront the organizations can be a source of legitimacy. The organizations form the base for legitimacy around the governance structure in a field. Thus, professional associations, regulatory agencies, society, and other actors that are primarily associated with the governance structure constituted the intended audience for the legitimacy discourse.

The governance structure broadly deals with the question of organizational purpose and control (Hansmann, 1996; Williamson, 1996). Accordingly, the legitimacy of an organizational purpose, organizational control mechanism, practices, etc., are all deeply influenced by the governance structure of the field. Scott (2013) categorizes the governance structure in three types: market, normative, and regulative (Table 3). All of these mechanisms would be present in any field at any given point of time; however, their strength to influence would vary according to the level of structuration in the field. The market governance structure primarily strives on the principle of efficiency and exchange. Market governance is based on competitive principle and work through contract mechanism. In a field governed by the market mechanism, the goal of actors is to achieve the technical efficiency. The role of technical efficiency becomes pivotal as the field matures. As the nature of interaction becomes increasingly standardized across the field, dominating pattern emerges. Also as the organizations develop increased awareness of market information, the market-based logic of efficiency becomes more pervasive in a highly structured field.

### Table 2: Dimensions of Organizational Legitimacy

| Type of Legitimacy | Focus |
|--------------------|-------|
| **Pragmatic**      |       |
| Exchange legitimacy| Expected value of an organizational action to a particular set of constituents |
| Influence legitimacy| Constituents perceive the organization as being responsive to their larger interest |
| Dispositional legitimacy| Constituents evaluate the organization for their dispositional attribute such as honesty, good intention, etc. |
| **Moral**          |       |
| Consequential legitimacy| The organizations are judged on what they accomplish and produce |
| Procedural legitimacy| The organizations are conferred legitimacy as they embrace ‘socially accepted technique and procedures’. |
| Structural legitimacy| The organizations are granted legitimacy because of their structural characteristics |
| Personal legitimacy| It rests on the charisma of an individual organizational leader (entrepreneur) |
| **Cognitive**      |       |
| Comprehensibility| The legitimacy is derived from cultural models that provide explanation for organization and its action |
| Taken for granted| The legitimacy is derived from practices which achieves a stature of ‘given’. |

*Source:* Suchman (1995).
Since the debate on means-end or cause-effect relationship is not settled in an emerging field, the penetration of the technical efficiency as a base for the legitimacy may not have many takers across the field; rather there would be different sub-communities within the field with a different interpretation of means-end relationship. Although the market-based governance structure may not be all pervasive in the emerging field, one cannot completely ignore its influence either.

Table 3: Source of Legitimacy

| Types of Governance Structure | Focus                      | Source of Legitimacy                  |
|-------------------------------|----------------------------|--------------------------------------|
| Market                        | Efficiency and economic exchange | Investors, consumers                |
| Normative                     | Socially appropriate behaviour | Professionals, associations, advocacy groups, industry unions |
| Regulative                    | Legislation                | Regulators, government departments   |

Source: Scott (2013).

The normative governance structure focuses on the values and the behaviours that are considered socially appropriate. An organizational field with a normative governance structure would be guided by the logic of appropriateness (March & Olsen, 2010). The actors would often seek legitimacy by demonstrating the behaviour in the line of what is expected of them within the given role. The definition of appropriate conduct generally remains debatable in an emerging field where the normative standards are still in a developing stage. The development of the role for each actor generally takes place through mimetic actions. The organizations often mimic other relevant organizations from within the field or outside the field.

The regulative governance mechanism emphasizes on the state interventions and highlights the role of hierarchical structure, rules, and coercive actions in case of disobedience. The primary goal in the fields governed by the regulative power is the centralization of power and the control of field constituents. In a mature field, the regulative governance mechanisms are easy to execute as the state interventions are stabilized and the hierarchical structures are developed. The legal institutions are delicate in an emerging field, and there is very little stringent regulation guiding the organization (Hoffman, 1999). Thus, in the case of an emerging field, the regulative governance is the weakest one in terms of the governance structure. As a source of legitimacy, all the three governance mechanisms are well developed in a matured field, while in an emerging field only the normative and the market-based governance structures are developed to some extent. Accordingly, in this article, we have considered the normative and the market-based governance structures as the sources of legitimacy operating in the emerging field, while excluding the regulative structure.

MEANS OF LEGITIMIZATION: THEORIZATION

From a legitimacy viewpoint, organizations perform well not because they are the most efficient ones. However, because they are perceived to be appropriate, they have access to the critical resources. This perception of appropriateness is built through theorization. In the structuration process, theorization is important because it connects to one of the central concerns of institutional thinking, the conferring of legitimacy (Greenwood et al., 2002). The notion of theorization was first used by Strang and Meyer (1993), as they discussed its role in shaping and accelerating the diffusion of practices, models, etc., in wider social systems. For any new practice to gain acceptance and to be diffused in a field, it has to be given a symbolic meaning and the theorization is the mechanism through which such a symbolic meaning is attached to new practices. The theorization is ‘the specification of the failings of existing norms and practices and justification of new norms and practices in terms of moral and pragmatic consideration… new norms and practices take a greater degree of legitimacy and, in turn, become institutionalised’ (Dacin, Goodstein, & Scott, 2002, p. 48). Thus, the theorization broadly focuses on the moral and the pragmatic forms of legitimacy in order to justify any new action.

The goal of theorization is ‘to obtain resources and mobilize support, justify possible solutions and new courses of action, and translate interest to often diverse constituents’ (Thornton, Ocasio, & Lounsbury, 2012, p. 110). Theorization has been studied in various empirical settings such as photography (Munir & Phillips, 2005), construction industry (Boxenbaum & Daudigeos, 2008), horticulture industry (Lepoutre & Valente, 2012), pulp and paper industry (Vaara et al., 2006), accounting profession (Suddaby & Greenwood, 2005), and HIV/AIDS field (Maguire et al., 2004). These cited works
covered issues such as acceptance of a new form of organization, legitimacy of industrial restructuring, developing immunity towards existing institutional logic through rhetorical strategies, rapid diffusion of technology with institutional account, dissemination of new practices in an emerging field, etc. The empirical studies on theorization have focused on the process of institutional changes, which are mainly deviant and non-isomorphic in nature. Rhetoric as a theorization strategy and its role in legitimizing new practices of social enterprises is a well-researched area. Waldron, Fisher, and Pfarrer (2016) argued that the social enterprises that prefer to identify themselves differently from others would often use non-isomorphic frames to justify the adoption of new practices. While in the case of social enterprise that identifies itself as one among many other social enterprises would often use an isomorphic frame to facilitate the adoption of new practices. In another interesting work, Ruebotom (2013) argues that the social enterprises that try to bring in new practices use rhetorical strategies to project themselves as protagonists while casting those that challenge the proposed practices as antagonists. Hence, much is known on the role of rhetoric as the theorization strategy in seeking the legitimacy for social enterprises in general. Yet, how the acceptance of new practices is orchestrated in an emerging field such as microfinance remains a relatively less explored area. In the following section, the article explores on how the theorization can probably be designed for the new practices in an emerging field.

THEORIZATION OF NEW PRACTICES IN AN EMERGING FIELD

For any practice to receive the acceptance and then diffusion, there is a need for interaction between the organizations who adopt the practice and those who would be willing to accept the practice. In the case of an emerging field, the low interaction among the organizations hinders the acceptance of a new practice. In the absence of commonly shared understanding, the experiences of the new practices are difficult to diffuse. The low interaction also implies low transactional dependencies across the organizations. This adds up to the challenge of legitimizing a new practice in an emerging field. Exchange dependencies help in developing protocol of operations, which, in turn, become beneficial for adopting a new practice. The means-end relationship is not clearly settled in an emerging field. This is because there is a general lack of awareness on the alternative business practices among the set of organizations. Therefore, in the absence of sufficient information flow, the organizations hold various views on means-end relationship. This is further aggravated by the lack of dominance of a set of organizations. The dominance by a set of organizations implies a strong prevalence of a world view, which defines the means-end relationship. In the absence of a dominating world view subscribed by the influencing organizations, the opinion on means-end relationship generally, remains unsettled. Such an unsettlement further makes the process of acceptance of the new practices more complex. We argue that the theorization can play a crucial role in such a complex situation, primarily because of two reasons: first, the process of theorization focuses on seeking the legitimacy from the organizational field. The studies have indicated that the process of theorization can stress on different dimensions of legitimacy depending upon the issue at hand (Suddaby & Greenwood, 2005). Therefore, at different stages of structuration of a field, the theorization can seek justification for practices depending on the nature of the threat to legitimacy. Second, the process of theorization varies according to the intended audience such as the actors associated with the governance structure (Greenwood et al., 2002). Therefore, the theorization can focus on the sources of legitimacy depending on the type of legitimacy it is focusing on. Accordingly, it addresses the two pertinent questions of legitimacy: of what? and to whom? We now explore how the theorization of new practices shapes up along different attributes of the emerging field.

Low Level of Interaction

First, we focus on the attribute of a low level of interaction among the organizations in an emerging field. The organizations do not interact because there is no standard means of interactions that have been established within the field. The possible roles that can be played by different organizations are not articulated properly. In the absence of a proper protocol to interact, these organizations remain confined to their own sub-communities and develop micro organizational field. In such situations, the organizations may find it convenient to interact based on the transactions and the business propositions. If any action or practice is initiated to enhance the transactional value across different organizations, it may attract more acceptance across the field. For any new practice to be introduced into the field, the organization should be able to clearly
articulate the tangible benefit that is to be derived from the practice. Under these circumstances, the theorization strategy for a new practice should focus on highlighting the benefit of a practice to its prospective audience.

For example, in Bolivia as the largest microfinance organization, Compartamos Banco transformed from a non-profit to commercial microfinance, the co-founders argued that the commercial microfinance is more beneficial to the investors because of its focus on sustainability, and they are more accountable when compared to a non-profit (Kent & Dacin, 2013). These articulations on the benefit of commercialization are made primarily to convince the investors on the value of microfinance as a for-profit venture. As the organization is shifting to a for-profit mode, it requires a new set of organizations to interact with for its resources (investment), and therefore it focuses on the beneficial attributes of the new practices to potential audience. Apart from the investors, the other constituent who directly benefit from Compartamos is the consumers. Therefore, in order to seek the legitimacy for the newly adopted commercial practices, Compartamos sought legitimacy from the consumers. Compartamos Banco argued that a good commercial microfinance is also a good financial institution that can understand the needs of the client and offer products that add value to the client.

In a state of low interaction among producers, buyers, and investors, the potential value of transaction among the actors can increase the frequency of interactions. Since, there is benefit attached to transactions, more investors may like to interact with the producers and it is the same case with the consumers. The pragmatic legitimacy derives its source from the self-interest of the immediate audience of an organization. Therefore, we argue that the theorization would focus on the pragmatic legitimacy to enhance interaction among the actors. However, out of the three variants of pragmatic legitimacy—exchange, influence, and dispositional legitimacies, the organizations are likely to focus on the exchange legitimacy to justify their action. The theorization resting on the influence legitimacy may be unlikely because it arises out of attending to the larger interest of audience and in an emerging field with low degree of institutionalization, the larger interest of actors are not clearly evolved. For dispositional legitimacy, there is a need for the articulation of organizational attribution such as personality, goals, etc. In an emerging field, such dispositional attributes of organizations may not be evolved as most of them are trying to articulate their role and expectations from the field. Therefore, the organizations would focus on the exchange legitimacy only, which is easy to articulate and more quickly visible.

As the theorization focuses on the pragmatic form of legitimacy, it aims at an audience who seeks to receive benefit from direct exchange with the organizations. Examples of such constituents may be consumers, investors, etc., who are guided by the principles of efficiency and profitability. Therefore, we argue that the constituents of market governance structure would be the primary target of theorization focusing on the exchange legitimacy. Where the focus is to enhance interaction among constituents through transactions, we believe that the theorization focus would be less likely to target the constituents of normative and the regulative governance mechanisms. Therefore, we propose,

**Proposition 1:** In an emerging field, where there is low level of interactions across the actors, the organizations would resort to theorization strategy that focuses most likely on the exchange legitimacy and target the constituents of market governance structure as its audience.

**Absence of Dominance**

In the absence of dominance by a single cultural template, the organizations do not have a pattern of coalition that can rule the field. Thus, there is no single set of opinion on new practices, and the consequence of a new practice remains open to speculation; so one group may have a positive opinion of the outcome while the other may not. The justification of a new practice becomes a tricky business for the adopters. This is because when legitimacy is sought from different constituents, some may approve the practice while others may not and in the absence of a domination, the organization may remain clueless as to where should the loyalties be placed. In practices where the outcome cannot be evaluated, the organizations can seek legitimacy for technique and procedure termed as procedural legitimacy. If the organization demonstrates that it follows sound procedures in its newly founded operations, it may create a base for the procedural legitimacy: a variant of moral legitimacy. Hence, we argue that when there is no dominance of a single set of organization and there is no dominant pattern of doing a business, the organizations adopting divergent practices may opt for a theorization strategy that focuses on seeking the procedural legitimacy.
BRAC’s (an NGO based in Bangladesh) work on the participation of women from Bangladesh in economic activity is an interesting example of seeking the procedural legitimacy for a new practice (Mair & Marti, 2009). Constrained by socio-religious context, the rural women in Bangladesh find it difficult to participate in economic activities. BRAC through the Challenging the Frontiers of Poverty Reduction Program (CFPR) programme has been able to successfully legitimize the practice of women’s participation in the market. As evident, the outcome of such practices are difficult to evaluate, hence they focus on seeking the legitimacy through building support for the procedures and related events planned in the programme. They have sought legitimacy support from society, including religious leaders, village community, etc. (which can be considered as the normative governance structure) through developing several capacity building programmes aimed at women.

As procedural legitimacy does not focus on any tangible benefit, the market governance structure may not be the intended audience for such a strategy. Rather the normative governance structure can be the most probable audience. In an emerging field, the normative governance structure is in an evolving state. Professional associations, industry unions would try to get their footing gradually; since there is no single dominant logic that permeates the field, the institutional gatekeepers such as professional associations may find it difficult to articulate their philosophy based on a single logic or, in certain instances, there may be more than one professional body campaigning for different logics. For example, in Indian microfinance, there are at least two widely recognized professional associations of organizations: Sa-Dhan and Micro Finance Institution Network (MFIN). The Sa-Dhan is a promoter of development logic while the MFIN has an inclination towards the hybrid logic of microfinance. These sets of association have different viewpoints on the role of microfinance and the results that ought to be delivered by microfinance organizations. Therefore, in an emerging field, where the cause and effect relationships in the organizational actions are not widely shared, the evaluation of any activity based on its consequence may not seem to be feasible. Rather, the focus on rationality and soundness of the adopted practices would be more appropriate to seek the legitimacy. Therefore, we argue,

Proposition 2: In an emerging field, where there is no single established pattern of domination, the organizations would resort to theorization strategy that focuses most likely on the procedural legitimacy and target the constituents of normative governance structure as its audience.

Lack of Information Sufficiency

The information accessibility in an emerging field is limited. With a low level of interactions among the organizations and without any pattern of coalition, the field constituents generally do not have the required information for decision-making. In such cases, when the organizational technology is not clearly understood, or the organizational goals are not clearly spelt out, the environment poses uncertainty to the organizations. When the organizations face the problem of an ambiguous nature and the causes and effects are not evident, they tend to model their behaviour based on the other organizations. Modelling becomes a response to ambiguity and uncertainty. The organizations may not be aware of the rationality of a certain practice but modelling their practices based on the other organizations projects them to be rational. Because of this modelling behaviour, despite the existing variation in the organizations, most of them appear to be similar. The organizations tend to adopt the behaviour of the relevant organizations, which are well known. By mimicking the behaviour of other established organizations, the organizations appear to be more credible.

Mimicking the organizational structure and practices gives the adopters the opportunity to locate themselves in a commonly accepted category of organizations. By including themselves within a socially constructed category, these organizations indicate their capacity to perform certain types of jobs (Scott, 1981). For example, a hospital with different divisions (paediatric, ophthalmologic, etc.), different hierarchies (senior doctor, resident doctor, junior doctor, etc.) installs confidence among the stakeholders that it can perform the desired job. Hence, the structural mimicking by the organizations makes it ‘the right organization for the job’ (Suchman, 1995). We argue that in an emerging field, in order to avoid the ambiguity due to the lack of information, the organizations sought the structural legitimacy for their structures and practices.

In the case of Indian microfinance, many commercial microfinance organizations adopted financial practices with a focus on standardization and growth, akin to the mainstream financial institutions (Sriram, 2010). These practices help the microfinance organizations to
earn the confidence of investors, which in turn helps in attracting the resources. The mimicking of the practices borrowed from the mainstream financial institutions pushed these commercial microfinance organizations to a category of financial organizations that are focused on growth and efficiency. In an emerging field, the structural legitimacy helps to solve the problems that cannot be evaluated visibly like those related to goals, missions, etc. The target audience for justifying any practice based on the structural legitimacy would be the normative governance structure. The constituents of the normative governance like the professional associations would be keen to define the category of organizations that are perceived to have the capacity to deliver the performance. By building a category of organizations as the right organization for the job, the structural legitimacy has sought the approval of the normative governance structure. Therefore, we argue,

**Proposition 3:** In an emerging field, where there is no information sufficiency among actors, the organizations would resort to theorization strategy that focuses most likely on the structural legitimacy and target the constituents of normative governance structure as its audience.

**Absence of Commonly Shared Purpose of Existence**

In an emerging field, the organizations engaged in a similar business may not have a commonly shared purpose of existence. From a rational perspective, the organizational purpose for existence may remain limited to survival and growth, but from a macro-cultural perspective, the organizations exist for reasons beyond survival. The purpose of organizational existence frames the notion of organizational identity and helps to resolve the question: ‘Who are we as an organization?’ (Albert & Whetten, 1985). In an emerging field, where multiple logics co-exist exerting diverge institutional demands, the organizations respond to different logics through the constitution of different organizational identities (Greenwood et al., 2011; Kraatz & Block, 2008). Battilana and Dorado (2010) found that the microfinance loan officers who are identified as social workers carry the development logic and while those who are identified as the accountants carried the commercial logic. In such a situation of multiple identities, creating a common purpose for existence becomes challenging. Nevertheless, in the same paper, Battilana and Dorado also argue in favour of a need to create a shared organizational identity (hybrid identity) in order to prevent the organization from breaking apart.

In the absence of a commonly shared identity, the organizational actions may not have the legitimacy from the field constituents (Greenwood et al., 2011; Kraatz & Block, 2008). For example, a certain set of activities is expected from an organization that identifies itself as a ‘hospital’ such as treating patients, conducting critical medical procedure to cure ailments, etc. Such expectations are commonly shared across all the organizations that identify themselves as hospitals. In the absence of a common identity of hospital, these practices, which otherwise seem so obvious, may not have acceptance from the field constituents in totality. The identity of being a hospital makes these organizations clear of their ultimate reason for existence and accordingly gives these practices a taken-for-granted status. The commonly shared purpose of existence is derived from what the organizations are meant to deliver. A hospital is meant to cure people from ailments. Any hospital that fails to deliver this outcome may lose its legitimacy within the field. Hence, we argue that the consequential legitimacy deriving from the outcome of the organizational action helps in developing a socially defined and commonly shared purpose of existence among the organizations.

The empirical context of Indian microfinance discussed in this article makes the case for consequential legitimacy. What is the purpose of the microfinance organizations: to run the programme efficiently by extending outreach or to target ultra-poor people to help them fight poverty? (Morduch, 2000). The answer to this question defines the purpose of the existence for microfinance organizations and accordingly they would seek legitimacy from the field constituent. However, in a field, when there is no commonly accepted purpose for existence across the field constituents, from whom the organizations would sought their consequential legitimacy? We propose that these organizations may not be in a position leave any constituent unattended due to the fear of losing the legitimacy. Consequently, they may have to address the constituents of both the normative and the market governance structures to seek the legitimacy. Therefore, we argue,

**Proposition 4:** In an emerging field, where there is no commonly shared purpose of existence among the participants, the organizations would resort to theorization strategy that focuses on the consequential legitimacy and target the constituents of the normative and the market governance structures as its audience.
As shown in Table 4, the actors associated with the market and the normative governance structures constitute the central audience from whom the legitimacy is being sought through theorization. The focus of theorization is centered on four variants of legitimacy, namely exchange, procedural, structural, and consequential. In summary, we propose that the organizations theorize the new practices by focusing primarily on the moral and the pragmatic legitimacies. Since the regulatory governance structure is almost absent in an emerging field, the organizations often seek the legitimacy from the two governance structures: market governance and normative governance. Specifically, we propose that the key to theorization is the recognition of different attributes of an emerging field leading to structuration. This satisfies the fundamental argument on the role of theorization that it helps in the institutionalization of an organizational field through legitimation (Greenwood & Suddaby, 2002).

We believe that this prediction on focus and target of theorization strategy in an emerging field is important, given the increasing prevalence of the phenomenon of hybridization (Pache & Santos, 2013) across the field. There is an explosion of hybrid organizations and these organizations are continuously exposed to multiple and even contradictory institutional demands. They have to adopt new practices that were earlier alien to them as well as the field. An interesting example may be a social enterprise as a hybrid organization pursuing a dual mission of financial sustainability and social purpose (Doherty, Haugh, & Lyon, 2014). Because of its hybrid nature, the social enterprise requires to interact with a wide variety of stakeholders for the acquisition of resources. We argue that understanding the theorization and the intended audience can help these organizations to be more persuasive in seeking legitimacy.

The repository of theorization strategy developed in the article is not without limitation. The definition of an organizational field lies in practice (DiMaggio & Powell, 1983). It implies that the boundary of the field can only be decided once the actors get into practice and start interacting with the field. Within such constraints, theoretically it may not be possible to identify all the stakeholders constituting the governance structures. For the sake of simplicity, we have taken the market and the professionals as the major constituents of the field, ignoring the influence of the state. However, in practice, under certain situations, the state may have a decisive role as a source of legitimacy for the organization. The dimensions of legitimacy addressed through theorization stress on the mechanism such as rhetoric, bricolage, etc., without acknowledging the stage of development of the field. This article is an attempt to delineate more specifically the stages of development in a field and how they connect to the sources and focus of legitimacy. By linking the stages of development in an emerging field with the legitimacy, the article has gone beyond the rhetorical strategies of theorization suggested by Suddaby and Greenwood (2005) and Vaara et al. (2006). These cited research works discuss the focus of theorization in a mature field, but do not link the theorization with the stages of structuration of a field. Addressing this gap, in our research, we have discussed how the characteristics of an emerging field are intrinsically linked to the focus of theorization strategy. Accordingly, this article contributes in framing a notion that in an emerging field, the moral and the pragmatic legitimacies are the major focuses of theorization.

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theorization strategy need not be exhaustive. The theorization involves both ‘saying’ and ‘doing’ things. The ‘saying’ through theorization includes rhetorical, discursive strategies, etc. However, we do not have a detailed understanding on what includes in the ‘doing’ as the theorization. In this article, the legitimacy focus is primarily derived with the assumption of theorization as the ‘saying’ things. As we look at theorization in terms of ‘doing’ things, the propositions may include different dimensions of legitimacy other than those covered in the current article.

Given the increasing focus on multiple institutional demands in uncertain environment, and the organization’s response towards complexity, future research may complement this work by exploring how the organizational position and skills can influence the implementation of theorization strategy in the face of varied institutional demands. Some of the questions that the future research can explore are: (a) how does the theorization strategy vary for the organizations at the periphery of the emerging field compared to those at the centre of the field? (b) what kinds of resource and skills are required for an organization to theorize effectively? and (c) what enabling conditions are required for a successful theorization? While much remains to be explored about theorization of practices, this article hopes to provide a foundational understanding on how the focus of theorization changes at the different stages of an emerging field.

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