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**Niche Logic Spillover to  
Mainstream Markets:  
How Small Players Changed  
The Mature Canadian Wine Field**

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**December 2010**

**A thesis submitted to McGill University in partial fulfillment of the  
requirements of the degree of Ph.D.**

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## ABSTRACT

This thesis examines how small players change mature organizational fields. Mature fields are characterized by stable pre-existing institutional logics, interlocked relationships between participants, and high levels of practice standardization. In this thesis, I look at the emergence, diffusion, and legitimation of new, niche practices and their embodied logic within the Canadian wine field in the past 30 years.

The first phase of this thesis provides a theoretical framework of how niche practices spill over to mainstream markets in mature organizational fields. The second phase is an inductive, theory-building effort to specify how small players change mature organizational fields. Based on 49 interviews with winery representatives, industry experts, and other stakeholders in the industry, I develop theory on the endogenous and exogenous forces that facilitate the emergence, diffusion, and institutionalization of a quality standard and appellation system, the Vintners Quality Alliance (VQA), which was introduced by small players in the Ontario wine field. Within this study, I explore the strategies used by small players to diffuse their new practices, as well as how current field structures affect the institutionalization of these practices. Furthermore, I consider forces that influence the persistence of the VQA in its early institutionalization phase and its existence as one logic within the field. Finally, the third phase of my thesis includes two quantitative studies examining how entrepreneurial strategies and exogenous forces influence the diffusion of new practices and new identity symbols associated with small players within the Canadian wine industry.

The insights in this thesis have important implications for theory for a number of reasons. First, I consider how small players' practices and/or identity symbols diffuse and/or become institutionalized within a *mature* field in a more systematic manner than that found in past literature. Second, this thesis considers

the co-existence of multiple logics within a field. To date, theorists exploring institutional change have focused on the transition from one dominant logic to another within fields. Third, my thesis explores the complexities involved with institutional or symbolic isomorphic change within a mature field by considering both exogenous and entrepreneurial forces of change.

## RÉSUMÉ

La thèse porte sur la façon dont les petits acteurs changent des champs organisationnels matures. Les champs organisationnels matures sont caractérisés par des logiques institutionnelles stables déjà existantes, des liens très étroits entre les participants et un fort niveau de normalisation des pratiques. Dans cette thèse, j'examine l'émergence, la diffusion et la légitimation de nouvelles pratiques spécialisées et de leur logique intrinsèque au sein de l'industrie vinicole du Canada au cours des 30 dernières années.

La première partie de la thèse présente un cadre théorique sur la façon dont les pratiques spécialisées touchent les marchés traditionnels de champs organisationnels matures. La deuxième partie est un effort inductif théorique pour montrer en détails comment de petits acteurs institutionnels changent des champs organisationnels matures. M'appuyant sur 49 entrevues avec des représentants vinicoles, des spécialistes et autres intervenants de l'industrie, j'élabore une théorie sur les forces endogènes et exogènes qui facilitent l'émergence, la diffusion et l'institutionnalisation d'un système de norme de qualité et d'appellation, la Vintners Quality Alliance (VQA), introduit par de petits acteurs du secteur vinicole de l'Ontario. Dans cette étude, j'examine les stratégies utilisées par les petits acteurs institutionnels pour diffuser leurs nouvelles pratiques ainsi que la façon dont les structures actuelles agissent sur l'institutionnalisation de ces pratiques. En outre, j'analyse les forces qui influencent la persistance de la VQA durant sa première phase d'institutionnalisation et son existence en tant que logique institutionnalisée dans ce secteur. Enfin, la troisième partie de ma thèse présente deux études quantitatives portant sur la façon dont les stratégies d'entreprise et les forces exogènes influencent la diffusion de nouvelles pratiques et de nouveaux symboles d'identité associés aux petits acteurs de l'industrie vinicole canadienne.

Ma thèse a d'importantes conséquences théoriques. Premièrement, j'examine de quelle manière les pratiques et les symboles d'identité des petits acteurs se répandent et s'institutionnalisent dans un champ organisationnel *mature* de façon plus systématique que ce qu'a décrit la littérature par le passé. Deuxièmement, je m'intéresse à la coexistence de multiples logiques au sein d'un champ. À ce jour, les théoriciens qui étudient le changement institutionnel ont porté leur attention sur la transition d'une logique dominante à une autre au sein des champs organisationnels. Troisièmement, j'étudie la complexité du changement isomorphique institutionnel ou symbolique dans un champ mature en examinant les forces exogènes et entrepreneuriales du changement.

## ACKNOWLEDGEMENTS

I am deeply obliged to the members of my committee, Jan Jorgensen and Kai Lamertz, and my supervisor Robert David. Robert David agreed to take me on as his student when entering my third year of doctoral studies. I grew to love the subject of Organizational Theory while taking Robert's doctoral class. Robert David's guidance, encouragement, and support created an ideal balance allowing me to learn on my own and develop my own ideas while at the same time shaping both the process and product. Robert is both an outstanding scholar and a teacher who strives to ensure that his students become the best researchers and academics they can be. He sets high standards for his students and, as a result, helps them understand the importance of quality research. Consequently, I learned how to develop theory and to produce empirical work using a multi-method approach. His drive for perfection has taught me a great deal. Robert is also an extremely generous individual who ensures that his students receive the financial and academic support they need. With his generosity, integrity, dedicated work ethic, and outstanding scholarly expertise, I feel very fortunate to have Robert as a mentor.

I would also like to thank Jan Jorgensen who took me on as a Strategy student in the beginning of my third year. At the time, he agreed to be a co-supervisor with Robert. Jan Jorgensen allowed me to pursue an area of study in which I am extremely passionate about – Organizational Theory. Without his support and instruction, I would not have been able to do so. Moreover, his constant guidance and attention to detail not only greatly improved my work, but also the PhD process as a whole. Thank you, Jan, for the opportunity with which you provided me.

A thank you goes out to Kai Lamertz as well for his guidance. Kai is an outstanding scholar who continuously dedicated himself to providing detailed and exceptional feedback that vastly furthered the quality of my work. Kai's qualitative and quantitative expertise not only helped me further my ideas but also helped me learn a great deal about analysis and research. His guidance ultimately helped further my understanding of quality research that makes a contribution to literature.

A special thank you also goes out to winery industry experts who dedicated their time to my study. Without their help, I would not have been able to conduct such in depth research. I would like to thank the Centre for Strategy Studies in Organization, McGill Social Science and Humanities Research Council Thesis Grant Committee, Desautels Faculty of Management PhD Program, and Robert David for helping fund my dissertation research.

In addition, I would like to thank the following people: The forty nine wine industry participants who generously gave their time and shared their considerable knowledge. Frances Westley for her enthusiasm and instruction. In

my second year, Frances took me on as a researcher in one of the social innovation projects she was overseeing. As a result, I learned a great deal about qualitative research. Moreover, Frances' 'joie-de-vivre' and kindness combined with her exceptional talent as a researcher and innovator has not only profoundly influenced my academic thinking, but also my life. Mary Dean Lee for taking me on as an Organizational Behaviour student in Phase One of my academic studies. Margaret Graham for her support throughout my Ph.D. It was ultimately in Margaret Graham's class on innovation that my passion for studying that topic was ignited. Stella Scalia, Ph.D program administrator, for her continuous support and encouragement throughout the process. Lorraine Vezina, for her continuous help and encouragement, as well as for bridging the gap between Ottawa and Montreal. And, the many people who provided me with editorial expertise – Robert David, Jan Jorgensen, and Catherine Bernard – and those who did transcription and data input work – Zoe Caron, Carolyn Van Drunen, and Amit Shah.

Last but not least, I would like to thank my daughter, Madeline Blachford, who adjusted to daycare at an early age and put up with me when my thoughts were engrossed in my work during the last phase of my doctoral degree. I am also profoundly indebted to my husband, Ian Blachford, for his support throughout my Ph.D. Thank you, Ian, for discussing and reviewing my work as well as encouraging me on a daily basis. I also would like to thank my parents, Giuseppe and Assunta Ierfino, for their support not only throughout the PhD, but throughout my life. Without my parents' support, I would not have been able to pursue a Ph.D. Although my father will not be able to see me complete my graduate studies, he is still present in my heart. In short, I would like to thank my family for helping me to pursue my goals and enriching all facets of my life including my work.

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## 1.0 INTRODUCTION

How do small players change mature organizational fields? Achieving legitimacy in the eyes of those who control resources is particularly difficult for small, peripheral players trying to break into mainstream markets of mature organizational fields. This is because mature fields are characterized by stable pre-existing institutional logics, interlocked relationships between participants, and high levels of practice standardization. Yet, small, peripheral players can significantly change mature organizational fields. Leblebici, Salancik, Copay, and King (1991) were the first to emphasize small, niche players as innovators who introduced new practices that transformed mature organizational fields. In their study of the broadcasting industry in the United States, they found that new practices were introduced by “shady” traders and small independent stations rather than by dominant players who had a vested interest in institutionalized practices. In their study of the waste management field, Lounsbury, Ventresca, and Hirsch (2003) found that small, niche players, such as non-profit recyclers, transformed the field by enabling the development of the for-profit recycling industry.

How small players change mature organizational fields has not, however, been systematically explored in the current literature. To date, theorists have focused on institutional change stories that involve large, powerful players who have the resources to change organizational fields and organizations within mature organizational fields (Garud, Jain, & Kumaraswamy, 2002; Greenwood, Suddaby, & Hinings, 2002; Lee & Pennings, 2002; Rao, Monin, & Durand, 2003). DiMaggio (1988: 14) first claimed that “new institutions arise when organized actors with sufficient resources see in them an opportunity to realize interests that they value highly.” Greenwood et al. (2002) described how professional associations respond to institutional changes introduced by the largest players in the accounting industry by helping endorse and regulate those changes.

Furthermore, scholars are calling for more research that considers interactions between field structures or field structural changes, and the entrepreneurial activity that elicits such change (DiMaggio, 1988; Eckhardt, & Shane, 2003; Greenwood & Suddaby, 2006; Purdy & Gray, 2009). Theorists to date have focused either on endogenous forces, such as actors who, through the pursuit of distinct interests, de-institutionalize institutional forms (DiMaggio, 1988), or on external shocks, such as deregulation, which facilitate change within a field (Oliver, 1992; Sine & David, 2003). The few exceptions include Rao et al.'s (2003) study of "nouvelle cuisine" which describes how initiator movements, stemming from an anti-authoritarian wave in France in 1968 (exogenous force), caused tensions between the traditional logic and the new logic in cognate fields (e.g., literature). As well, they describe how processes such as theorization of benefits (endogenous force) induce actors to abandon old logics and old identities for new ones when powerful actors drive the change. Thus, in the case of niche practices, one should consider not only how niche players change organizational fields, but also why they do so. Hence, a core question of this thesis is: How do external forces such as environmental jolts and institutions shape niche players' entrepreneurial opportunities and actions?

One should explore such questions not only in terms of isomorphic change associated with practices and forms, but also in regards to symbolic isomorphic change. To date, symbolic isomorphic change has received very little attention when compared to research on isomorphic change associated with practices and organizational forms. A pivotal study, by Glynn and Abzug (2002: 267), of symbolic isomorphic change, considered how the resemblance of an organization's symbolic attributes, represented by names, to those of other organizations within a field, increases that organization's legitimacy. The question that still remains is: What processes facilitate the diffusion of new symbols associated with small players' logic within a mature field? Correspondingly, how does a new identity associated with small players emerge within a mature organizational field?

Finally, theorists exploring institutional change have focused on dominant logics, or rather the transition from one dominant logic to another, within evolving fields (e.g., Leblebici et al., 1991; Thornton, 2004). However, this shift from one dominant logic to another is not the only possible outcome. Instead, evolution may occur through various sets of logics in a process whereby a new logic introduced within the field competes with the dominant prevailing logic. This new logic eventually threatens and erodes the dominant logic's hold, but without necessarily causing its disappearance. Players may then make room for a new logic while still using an old one. This can generate hybridization (Rao et al., 2003) or sustained coexistence of multiple logics over time (Reay & Hinings, 2005, 2009; Purdy & Gray, 2009). In their study of the medical education field, Dunn and Jones (2010: 114) identify two logics central to the profession that have persisted over time. They (2010: 114) found that those plural logics "are supported by distinct groups and interests, fluctuate over time, and create dynamic tensions about how to educate future professionals."

Considering niche market activity, with respect to institutional change, is important. First, it increases market diversity as organizations utilize specialized practices to respond to market changes (Leblebici et al., 1991; Swaminathan, 1995). This creates competing models within a field which, in turn, can trigger instability (e.g., Haveman & Rao, 1997). Furthermore, small players that serve niche markets are thought to generate significant innovative activity within fields (Swaminathan, 1995).

## **1.1 Theory**

Rigorous explanations of entrepreneurship and institutional change are found in organizational theory. In this thesis, I mainly draw on institutional theory to explain processes used by small players to change fields. "Institutional theory asks questions about how social choices are shaped, mediated and channelled by the institutional environment" (Wooten & Hoffman, 2008: 130). Institutions are "social structures that have attained a high degree of resilience" (Scott, 2001: 48). They "are composed of cultural-cognitive, normative, and regulative elements

that, together with associated activities and resources, provide stability and meaning to social life” (Scott, 2001: 48). Institutions are transmitted by various types of carriers, including symbolic systems, routines, and artefacts, and “operate at multiple levels of jurisdiction, from world system to localized interpersonal relationships” (Scott, 2001: 48).

However, institutions are ultimately “subject to change processes” (Scott, 2001: 48). Central to institutional change are the concepts of institutional logics and institutional entrepreneurship. Institutional logics are “socially-constructed assumptions, values, and beliefs that define formal and informal rules of behaviour and guide interpretation about why certain structures and practices exist” (Friedland & Alford, 1991; Sine & David, 2003: 187). Friedland and Alford (1991) were the first to propose that central institutions have potentially incompatible logics. This incompatibility provides the dynamic for potential change (Seo & Creed, 2002; Thornton & Ocasio, 2008: 21). Essentially, changes in institutional logics can lead to changes in organizational structures, forms, and practices (Oliver, 1992; Sine & David, 2003).

Scholars describe institutional entrepreneurship as one of the forces which change institutions. Institutional entrepreneurs are “actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones” (Maguire, Hardy, & Lawrence, 2004: 657). Leblebici et al.’s (1991) pivotal study on endogenous forces of change considered peripheral players as instigators of change. In contradiction to Leblebici et al.’s (1991) study, most studies followed the assumption that institutional change was triggered by exogenous shocks (Meyer, 1982; Thornton & Ocasio, 2008: 19) or that change could only be elicited by prominent players within a field (Meyer & Rowan, 1977; DiMaggio, 1988). Eventually, institutional entrepreneurship became almost synonymous with institutional change in studies written in the early 2000s (Thornton & Ocasio, 2008). Most institutional entrepreneur studies to date focus on prominent players within mature fields (e.g.,



Greenwood et al., 2002) or on small players within emerging fields (e.g., Maguire et al., 2004).

Recently, scholars have acknowledged that institutional entrepreneurs do not act alone. These agents form political coalitions or networks to help them deinstitutionalize, reinstitutionalize, or create new institutions (Wooten & Hoffman, 2008: 137). Wooten and Hoffman (2008: 137) claim that this creates a link between institutional theory and social movement theory by “focusing attention on the ability of social movements to give rise to new organizations and change the demography of existing organizational fields.” Social movement theory essentially provides an understanding of how new ideas are theorized. However, it “assumes explicit contestation between actors whose interests are disadvantaged and repressed” (Thornton & Ocasio, 2008: 19). This contrasts sharply with earlier studies that depict institutional settings “as highly stable, permanent, and characterized by conformity” (Thornton & Ocasio, 2008: 19).

## **1.2 Study Purpose**

Within my thesis, I will explore small, niche players’ role in transforming the Canadian wine industry. In particular, I will look at the emergence, diffusion, and legitimation of new practices and symbols originally associated with small players within the Canadian wine industry. The Canadian wine industry is a promising field of study in regards to this topic given the widespread diffusion of niche practices, such as the quality standard and appellation system, Vintners Quality Alliance (VQA), which has occurred since the 1970s. In this research context, all Ontario niche players dedicated to producing 100% domestic wines were small players at the start of the study period when the VQA emerged. Hence, "niche" and "small" players refer to the same actors in this thesis.

This thesis consists of three phases which include: 1) a theoretical contribution; 2) a qualitative study portion; and 3) a quantitative study portion.

### ***1.2.1 First Thesis Phase: Theoretical Contribution***

The first phase of my thesis provides a theoretical framework of how small niche practices spill over to mainstream markets in mature organizational fields. Within this chapter, I propose destabilizing and re-stabilizing forces within the field. In particular, I propose that environmental jolts and changing consumer preferences (de-stabilizing forces) cause prominent players to be more open to adopting new practices developed by players for niche markets. Furthermore, I propose that theorization, collective and coercive action, and mimicry within social networks (re-stabilizing forces) influence the widespread diffusion of these new practices. I also provide an integrative model of how exogenous and endogenous forces interact to facilitate the evolution of a mature organizational field.

### ***1.2.2 Second Thesis Phase: Qualitative Study***

In the second phase of my thesis, I draw on intensive qualitative research to understand the diffusion and institutionalization of new practices originally introduced by small players within a mature organizational field.

My main research questions are as follows:

- R.Q.1:*** *Who introduces new practices within a mature organizational field?*
- R.Q.2:*** *What forces cause prominent players who owe their positions to established institutionalized arrangements to adopt new practices?*
- R.Q.3:*** *How do niche players convince other participants within a mature field to accept new practices?*
- R.Q.4:*** *How does the early institutionalization of new practices occur?*

The empirical case in which I base this chapter on is a qualitative study of the creation and early institutionalization of the VQA<sup>1</sup>, a regulated quality

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<sup>1</sup> The Ontario Vintners Quality Alliance (VQA) is a regulatory body that administers and enforces the VQA Act. The VQA Act sets the framework by which standards for the production of VQA wine and appellations for grape-growing regions are established in Ontario. VQA Act stipulations include that: 1)

standard and appellation system within the Ontario wine industry. The VQA standard represents the institutionalization of a new logic within the Ontario wine industry, namely, the production of 100% domestically produced wine. This new logic was institutionalized in a field wherein wineries mainly imported grapes and juice and, hence, bottled wines (old logic). However, the new logic did not replace the old logic. The two logics, instead, currently coexist within the field.

Based on 49 interviews with winery representatives, industry association board members, wine writers, regulators, and other stakeholders in the industry, I develop theory on the endogenous and exogenous forces that facilitate the emergence, diffusion, legitimation, and institutionalization of the Ontario VQA over time. Within this study, I explore the strategies used by small players to diffuse their new practices, as well as how current field structures affect the institutionalization of these practices. Furthermore, I consider forces that influence the persistence of the VQA in its early institutionalization phase and its existence as one of the institutionalized logics within the field. As such, my study focuses on the institutionalization of multiple logics within a field rather than the replacement of one dominant logic with another as found in most studies to date.

### ***1.2.3 Third Thesis Phase: Quantitative Studies***

The third phase of my thesis consists of two quantitative studies. Based on a dataset compiled from trade directories, media, and industry associations, these quantitative studies examine how entrepreneurial strategies and forces such as environmental jolts influence the diffusion of new practices and symbols originally introduced or used by small players within the Canadian wine industry. The research questions of the quantitative studies are:

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wines are made from 100% Ontario grown grapes; 2) wines must be made from the classic vinifera varieties (e.g., Chardonnay) or from preferred hybrids (e.g., Vidal); and 3) all wines in Ontario are tasted during a blind taste test by a panel of experts to ensure authenticity and typicity. The VQA was first introduced by small players in the Ontario wine industry in the late 1980s. It later became enshrined in regulation in 2000.

***R.Q.1:** How do small players' practices, logics, or identity symbols diffuse in mature organizational fields?*

***R.Q.2:** What is the role of endogenous and exogenous forces in the diffusion of small players' practices, logics, or identity symbols?*

In the first quantitative study, I examine exogenous and endogenous forces that facilitate the widespread diffusion of icewine in the Canadian wine industry; a practice first introduced on a commercial scale by small wineries in Ontario (Phillips, 2006).

The second quantitative study examines exogenous and endogenous forces that facilitate the diffusion of brand names that reflect a Canadian identity in the Canadian wine industry. Up to the mid-1990s, the Canadian wine industry had a poor reputation and, as such, wineries used brand names that reflected more prestigious fields such as France or Germany. These wineries, which mainly consisted of large wineries, felt that people would not drink the wine if they labelled it with a name that reflected a Canadian place like Niagara. In contrast, the boutique wineries used names that reflected a Canadian identity, and over time, the overall use of this type of brand name increased. Through these studies, I hope to understand how endogenous and exogenous forces affect the diffusion of those new practices and identity symbols associated with small players' logic.

### **1.3 Contribution**

In this thesis, my aim is to further the rapprochement between institutional theory and entrepreneurship research. First, I explore the influence of niche practices and logics on mainstream logics within the field in a more systematic manner than that found in past literature. By doing so, I respond to Swaminathan's (1995) exhortation to take into account niche market activity as a de-stabilizing force. Moreover, unlike past research, my thesis does not focus on the proliferation and maintenance of boundaries between the two markets (e.g., Carroll & Swaminathan, 2000), rather, it considers the spillover of niche logics into mainstream markets. Second, I consider change as involving de-stabilization

and re-stabilization of a field while emphasizing co-existing logics within the field (rather than the replacement of one dominant logic with another). I explore the emergence and persistence of multiple logics within a mature organizational field. Finally, I explore interactions and the dynamic between exogenous forces, field structures, and institutional entrepreneurial activity when studying organizational field evolution and institutional change. In doing so, I respond to scholars' call to consider the complexities associated with field structural changes and the endogenous and exogenous forces that elicit such change (Purdy & Gray, 2009).

This dissertation is organized as follows. Chapter 2 offers a theoretical contribution regarding how small players change mature organizational fields. The chapter provides an overview of relevant literature and offers propositions regarding how small players change mature organization fields. Chapter 3 presents background information on the Canadian wine industry. The Canadian wine industry is a promising field in which to study the emergence, diffusion and/or institutionalization of small players' new practices. This is because of the numerous niche practices that have become widespread and institutionalized within the field in the past 30 years. Chapter 4 details the methodology, analysis, and results of the qualitative portion of my thesis which examines how small players' practices emerge, diffuse, and become institutionalized within a mature organizational field (the Ontario wine industry). Chapter 5 describes the methodologies while Chapters 6 and 7 describe the hypotheses and results of the quantitative portion of my thesis. Within this quantitative portion, I test hypotheses which include concepts proposed in Chapters 2 and 4 that help diffuse small players' practices (Chapter 6) and identity symbols (Chapter 7). Chapter 8 brings the findings together and concludes the dissertation with a discussion of implications for theory and practice.

## **2.0 THEORETICAL FRAMEWORK**

### **THE CASE OF NICHE LOGIC SPILLOVER TO MAINSTREAM MARKETS: UNDERSTANDING DE-STABILIZATION AND RE-STABILIZATION WITHIN MATURE ORGANIZATIONAL FIELDS**

#### **2.1 Introduction**

Over the past decade, theorists' perspectives of institutional change within mature organizational fields have shifted from institutionalization to institutional flux. As such, mature organizational fields are no longer seen as "static, but as evolving" (Hoffman, 1999: 353). In this chapter, I explore the emergence of new practices and the evolutionary processes that move these new practices beyond innovation toward legitimization within mature, stable organizational fields. In particular, I examine how new, niche market practices and their embodied logics influence mainstream market logics (widespread, dominant logics) within a mature field. This section provides an overview of extant literature on entrepreneurship and exogenous forces that facilitate the evolution of a field. Gaps in the literature are identified and research propositions regarding how small players diffuse their practices are presented.

Theorists are just beginning to explore the complexities behind the dismantling and emergence of existing practices and their embodied logics within mature organizational fields (Rao, Monin, & Durand, 2003: 835). Most theorists have focused either on endogenous forces, such as actors who through the pursuit of distinct interests tend to de-institutionalize those aspects of institutional forms to which they owe their legitimacy (DiMaggio, 1988; Seo & Creed, 2002), or on external shocks which de-institutionalize current practices and facilitate change within an organizational field (Sine & David, 2003).

A more in-depth understanding of how existing logics are dismantled, or how they emerge and are adopted, requires that theorists consider how endogenous and exogenous forces combine to facilitate such evolution within a field. In attempting to examine the initiation of organizational action, for

example, theorists must consider how the origin and realization of organizational actors' interests are shaped by external and internal institutional arrangements such as power structures, field opportunities, and ideological structures (DiMaggio & Powell, 1991; Brint & Karabel, 1991). For instance, Rao et al. (2003: 803), in their study of French Gastronomy or *nouvelle cuisine*, describe how initiator movements stemming from an anti-authoritarian wave in France in 1968 (exogenous forces) exposed the mutability of classical cuisine and caused tensions to surface between that logic and the new logic established in cognate fields such as literature, drama, and film. As well, they describe how processes, such as theorization of new roles and benefits achieved by prior defectors, induce actors to abandon a traditional logic for a new one when powerful socio-political actors drive the change (see also Dunn & Jones, 2010). Leblebici, Salancik, Copay, and King (1991) pointed instead to fringe players as developers of new practices that were eventually adopted by prominent players facing intense competition. Yet, in this breakthrough study, they do not elaborate on the processes used by these fringe players to gain widespread adoption of new practices within the organizational field.

Moreover, theorists such as Leblebici et al. (1991), when exploring institutional change, have focused on dominant logics (goals, values, and beliefs) associated with practices, or rather the transition from one dominant logic to another within evolving fields (Goodrick & Reay, 2005). However, the shift from one dominant logic is not the only outcome. Instead, evolution may occur through various sets of logics in a process whereby new logics introduced within the field compete with the dominant logic and eventually threaten and erode its dominance, without necessarily causing its disappearance. As such, these logics may co-exist throughout the evolution process and interact in a way that eventually causes the re-stabilization of a field defined by a new set of logics that may or may not include the formerly dominant logic. Players may make room for a new logic while still using old ones, thus generating hybridization (Rao et al., 2003: 838). The processes involved with an evolving set of logics are defined

within this chapter as the de-stabilization and re-stabilization of organizational fields.

Thus, despite the inroads made by recent research, many questions regarding evolutionary processes within a mature field still remain unanswered. For instance, how do entrepreneurs develop new practices that will initiate change and why do they develop such practices? What environmental, societal, and entrepreneurial forces threaten the legitimacy of current practices? What happens when widespread institutional change faces counter-movements defending an existing logic (Rao et al., 2003)? Which forces facilitate the legitimization and widespread diffusion of new practices and their embodied logics? How do different institutional logics interact? How do these forces combine in facilitating the legitimization and widespread diffusion of a new set of logics (e.g., combination of old and new logics) within a field?

One situation that offers insights into de-stabilization and re-stabilization is niche market logics' influence on mainstream market logics within an organizational field. Using resource-partitioning theory, Carroll and Swaminathan (2000) describe niche markets as resource spaces within mature markets that lie outside the prominent players' or rather generalists' target area. As such, these spaces are ripe for exploitation by smaller, specialized market players.

Considering niche market activity with respect to institutional change is important for two reasons: 1) Niche market activity is thought to be responsible for reversal in field maturity (Swaminathan, 1995), causing an increase in market diversity as organizations utilize specialized practices to respond to market changes. Tensions between the multiple logics resulting from the increase in product diversity can trigger instability by creating competing models (Rao et al., 2003). For instance, in the savings and loan industry, competing logics induced founders of thrifts to develop hybrid forms that combined the properties of competing models (Haveman & Rao, 1997). 2) Small players that serve niche



markets are thought to be partly responsible for a large portion of innovative activity within an organizational field (Swaminathan, 1995). Yet, to date, niche player logics' influence on the evolution of mainstream logics within a field has been largely ignored.

By looking at niche market logics' influence on mainstream market logics, this chapter provides new insights into evolutionary processes within mature organizational fields; fields that are characterized by stable pre-existing institutional logics and structures, interlocked relationships between participants (Maguire, Hardy, & Lawrence, 2004), and high levels of practice standardization (Swaminathan, 1995). In particular, this chapter proposes that environmental jolts and changing consumer preferences cause prominent players to be more open to adopting new practices developed by players (de-stabilizing forces) for niche markets. Moreover, it proposes that theorization, activity within social networks, and collective and coercive action (re-stabilizing forces) influence the widespread diffusion of these new practices within the mainstream market. Therefore, unlike past research, it draws insights not on the proliferation of niche markets resulting in turn in the partitioning of an organizational field (Carroll & Swaminathan, 2000), but rather on what occurs when the partition lines blur, such that practices from both markets combine through hybridization to re-stabilize a de-stabilized mature field.

Within this chapter, I will first provide a theoretical background on institutional change and entrepreneurship. Second, I will offer a conceptual framework and propositions concerning de-stabilizing and re-stabilizing forces within a mature field. Finally, I will offer insight into how various types of organizational actors (fringe players and prominent players) and institutional and societal changes interact when facilitating the emergence, legitimation, and widespread adoption of new practices within an evolving field.

## **2.2 Theoretical Background**

Change within stable organizational fields is influenced by both institutional change and institutional entrepreneurship.

### ***2.2.1 Institutional Change***

Changes in institutional logics can lead to changes in organizational structures, forms, and practices (Oliver, 1992; Thornton & Ocasio, 1999; Sine & David, 2003). Institutional logics are “socially-constructed assumptions, values, and beliefs that define formal and informal rules of behaviour and guide interpretation about why certain structures and practices exist” (Sine & David, 2003: 187). Institutional logics essentially guide how individuals and organizations “produce and reproduce material subsistence, organize time and space, and provide meaning to their social reality” (Thornton & Ocasio, 1999: 804). For instance, in past studies, institutional logics were found to determine the issues towards which executives turned their attention as well as which actions were implemented to achieve success within the higher education publishing industry. These logics are embodied within organizational structures and practices. For example, Haveman and Rao (1997: 1607) describe forms of thrifts as embodiments of particular institutional logics that reflect institutional rules and expectations regarding savings and home ownership.

Institutional change has been portrayed as necessitating de-institutionalization or the weakening and disappearance of existing institutions within an organizational field (recent exceptions include Reay & Hinings, 2009; Purdy & Gray, 2009; Dunn & Jones, 2010). De-institutionalization specifically refers to “the delegitimation of an established organizational practice or procedure as a result of organizational challenges to or the failure of organizations to reproduce previously legitimized or taken for granted organizational actions” (Oliver, 1992: 564). As Scott (2001: 184) states, “it is useful to place studies of de-institutionalization in a broader context of institutional change, because the weakening and disappearance of one set of beliefs and practices is likely to be associated with the arrival of new beliefs and practices.” It follows that

“profound” institutional change within an organizational field has largely been described within current literature as a transition from one dominant logic to another (Goodrick & Reay, 2005: 1). For instance, Thornton (2004) described institutional change within the higher education publishing field as a transition of dominant logics from a professional logic to a market logic. Furthermore, Scott, Ruef, Mendel, and Caronna (2000) described the American healthcare system as one in transition from professional dominance to Medicare-legislation dominance (in the mid 1960s), to managerial control and market dominance (in the mid 1980s).

Within the above studies, other logics were in fact considered relevant but were repressed by more dominant logics (Goodrick & Reay, 2005: 1). There are normally two situations presented within the literature: one where there is competition between logics, resulting in new dominant logics over time (e.g., Leblebici et al., 1991), or one where alternative logics are simply subservient to, and/or organized by the dominant logics (Goodrick & Reay, 2005:1). For instance, in Thornton’s (2004) study of the higher education publishing industry, a shift from professional logic (where specialized knowledge workers make decisions for others) to market logic (where consumer choice is paramount) provoked organizations to change in order to be consistent with the new dominant logic.

Recently, institutional theorists’ focus has shifted from static to evolving fields and from dominant logics to multiple logics. Firstly, theorists are now considering processes of evolution related to the weakening and breakdown of one set of beliefs (de-stabilization), and the alternation of old and the arrival of new beliefs and practices (re-stabilization) within organizational fields (Greenwood & Hinings, 1996; Hoffman, 1999; Greenwood, Suddaby, & Hinings, 2002). Hoffman (1999: 353) described evolution as occurring “through the entry and exit of particular organizations or populations,” and “through the alternation of the interaction patterns and power balances among them.” By using Scott’s institutional pillars in his study of environmentalism in the United States’ (U.S.)

chemical industry, Hoffman (1999) demonstrated how the evolution of environmentalism in the industry evolved through the stages of challenge, regulative institution, normative institution, and finally, into a cognitive institution. Each stage involved the entry and exit of organizations and/or changes in interaction patterns. For instance, in the first stage, the creation of the Environmental Protection Agency caused the issue to be framed less in terms of environmental protectionism and more in terms of compliance with a government regulatory framework.

This shift in focus from static to evolving fields has prompted debate within the literature as to how normative, regulative, and cognitive institutional aspects evolve. Scott (2001) depicts these institutional pillars as largely independent, whereas Hirsch (1997) insists that the pillars overlap “so that development of one aspect will influence the development of other aspects” (Hoffman, 1999: 353). This debate raises questions regarding the independence and interactions not only of Scott’s institutional pillars, but rather of all institutional forces of change.

Secondly, institutional theorists are also beginning to consider multiple logics. As such, they are not just focusing on dominant logics independently. They believe that focusing on dominant logics impedes one’s ability to understand processes of change within organizational fields. They instead propose that some fields are organized by multiple logics (Barley & Kunda, 2001; Reay & Hinings, 2009; Purdy & Gray, 2009; Dunn & Jones, 2010), or what Goodrick and Reay (2005:1) describe as “constellations of logics.” In their study of the American pharmaceutical industry from 1800 to 2004, these authors (2005: 10) found that the field moved from a situation where market logic (consumer choice) overwhelmed professional (specialized knowledge) and organizational logics (design structures and systems that ensure predictability and efficiency), to market logic becoming only part of the organizing principles within the field, as professional and organizational logics became stronger. Instead of portraying the market logic as threatened by the other logics, the constellations of logics they

investigate suggest that the market logic has always been relatively strong in the field. For instance, pharmacists' educational standards (professional logic) have increased in strength as they continue to act as merchants (Goodrick & Reay, 2005: 10). Moreover, in their study of the Alberta health care system, Reay and Hinings (2009) identify mechanisms which facilitate the sustainability of competing logics (the business-like health logic and the medical professionalism logic) within the Alberta health care field. These mechanisms involve "formal and informal collaborative relationships that were established inside organizations" (e.g., proponents of new logic seeking advice from proponents of old logic) (Reay & Hinings, 2009: 643). Finally, in their study of the medical educational field, Dunn and Jones (2010: 115) consider: 1) when plural logics are maintained within a profession; and 2) what "factors influence the relative balance" or unbalance of existing multiple logics. For instance, they (2010: 116) found that such factors as contestation among physicians are associated with the rise of the care logic ("physicians' clinical skills to treat patients and improve the health of the community"). And, "differentiation in the missions of medical schools is associated with reduced attention to the science logic" (medical knowledge built through research and innovation) (Dunn & Jones, 2010: 114).

In sum, theorists are: 1) shifting their focus from static to evolving fields; 2) focusing more on processes involved with the weakening and breakdown of one set of beliefs and practices (de-stabilization), and the alternation of old and the arrival of new beliefs and practices (re-stabilization) within organizational fields (Hoffman, 1999; Greenwood et al., 2002); and 3) expanding their thinking regarding the interdependence and interaction of sets of logics, by considering multiple logics rather than dominant logics only.

### ***2.2.2 Institutional Entrepreneurs***

Institutional entrepreneurs are "actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones" (Maguire et al., 2004: 657). Institutional entrepreneurship focuses attention on "the struggles that take place" between

organizational field actors “over resources, stakes and access.” These struggles are enviable given that “organizational fields are structured systems of social positions” (Maguire et al., 2004: 658). Essentially, theorists acknowledge that institutional and structural “constraints do not completely determine human action” (Baum & Oliver, 1992; Barley & Tolbert, 1997: 94). Rather, they restrict the opportunities and alternatives we perceive, thereby increasing the probability of certain types of behaviour. Therefore, institutions influence but do not determine communication and interaction within institutional life, stratification regimes, social movements, and resource control processes (Barley & Tolbert, 1997; Dacin, Ventresca, & Beal, 1999). In short, through choice and action, individuals and organizations can deliberately modify institutions (see also Lawrence, 1999).

DiMaggio (1988) first attempted to address questions surrounding agency by claiming that only organized institutional entrepreneurs who possess sufficient resources are capable of introducing institutional change. He argued that the creation of and change of institutions is expensive and therefore requires high levels of interest and resources. Institutional theorists propose that the creation of new forms is largely a political phenomenon because support must be mobilized for the goals, structure, technology, and clients embodied in the new form (Rao, 1998). Entrepreneurs must also assemble resources to legitimate the new form and to integrate it into the prevalent institutional order (Rao, 1998: 916). Some institutional theorists believe that “new institutions arise when organized actors with sufficient resources see in them an opportunity to realize interest that they value highly” (DiMaggio, 1988: 14). Hence, institutional entrepreneurship is portrayed as a political process that reflects the power and interests of organized actors (Maguire et al., 2004: 658). Subsequently, many studies feature prominent players with high levels of resources as entrepreneurs within a field (e.g., Hoffman, 1999; Garud, Jain, & Kumaraswamy, 2002; Greenwood, Suddaby, & Hinings, 2002; Lee & Pennings, 2002). For instance, Greenwood et al. (2002) revealed how professional associations respond to institutional changes

introduced by the largest players in the accounting industry by helping endorse and regulate those changes.

Resource dependency and network theory provide some insight into how prominent players' power has been defined in the past (Greenwood et al., 2002; Rao et al., 2003). In Pfeffer and Salancik's (1978) resource dependence theory, power rests on a structural claim over resources. Moreover, individuals are motivated to optimize economic choices rather than to comply with social pressures, as in institutional theory (Oliver, 1997). As such, in resource dependence theory, individual power over resources plays an important role in making organizational decisions, since it is not always apparent what might be the optimal mechanism for such allocation (Pfeffer, 1981; Fligstein, 1985).

Position is emphasized within network theory as the source of an actor's power to modify institutions and structures. There also is particular emphasis on an organization's or an individual's power over social capital, rather than over resources. Networks can be conceived primarily as a series of inter-actor ties and direct relationships (Granovetter, 1985). Activity is both channelled and bounded by these existing inter-actor ties. Consequently, networks constrain or provide opportunities for interconnected actors (Dacin et al., 1999: 326). In essence, central players are assumed to have access to higher quality information. This in turn exposes them to superior opportunities and therefore provides a competitive advantage over other firms.

In one instance, Podolny (1994) argues that position in an industry status hierarchy is linked both to the type and the quality of deals in which an investment bank is involved. Status within a network may be associated with greater opportunities, given that it affects an organization's reputation and its visibility in the system. The greater the reputation, the wider an organization's access to a variety of knowledge sources, and the richer the collaborative experience, making it a more attractive partner (Gulati, 1998: 301). This is

particularly important in uncertain environments, where the appeal of a potential partner can be gauged by its status (Podolny, 1993, 1994). If the status of a partner will enhance an organization's own attractiveness, it will be likely to seek high-status partners. Therefore, the potential benefits achieved by the control of social capital enable actors to attract better terms of trade (Burt, 1992; Gulati, 1998: 298). This in turn has a positive impact on market share, returns on a given output, and influences the types of innovations as well as the way it will be assessed by the social and financial community (Benjamin & Podolny, 1999). An actor's status can also bias evaluations of an innovation's quality since it is often easier to observe affiliates than it is to observe quality differences (Benjamin & Podolny, 1999). Hence, higher social status positioned entrepreneurs may have greater opportunity and perhaps even greater success in launching innovations.

Leblebici et al. (1991), on the other hand, reveal a different perspective. They claim that radically new practices, which may result in the de-institutionalization of a field, are most likely to be introduced by peripheral players who are seeking to realize value from their transactions. The fringe players prevailed because they presented solutions to particular problems within an organizational field. The new practices were in fact legitimized once powerful players were forced to adopt them to solve problems of coordination and competition. Hence, in this case, it was not imperative for successful entrepreneurs to have access to resources at first. Instead, they can attain resources by defining opportunities, "by identifying distinct resources, and by prying them away from existing uses" (Rao, 1998: 916). By so doing, entrepreneurs must not only identify their ideas within the existing set of understandings and actions that constitute the institutional environment, but must also set their innovations apart from what exists (Hargadon & Douglas, 2001). This will ultimately help them win the support of key stakeholders (e.g., investors) who may not fully understand the nature of the new ventures, and who question the entrepreneur's conformity with established institutional rules (Rao, Morrill, & Zald, 2000; Lounsbury & Glynn, 2001). It is important to win the



approval of key stakeholders within a firm. This is the case given that certain traits such as size and prestige affect whether a firm will be imitated (Korn & Baum, 1999: 175). Therefore, if a large player, for instance, adopts a new practice developed by a fringe player, this may lead to the widespread diffusion of that practice. Haveman (1993) in fact found that the entry of savings and loan associations in new markets was positively related to the prevalence of large associations in those markets.

Fringe players can convince key stakeholders within a field to adopt their new practices by connecting “their change projects to the activities and interests of actors in a field, crafting their project to fit the conditions of the field itself” (Maguire et al., 2004: 658) through: 1) strategies that convince key stakeholders of the value of a new practice; and 2) mechanisms that facilitate widespread diffusion of new practices by enabling key stakeholders to see the benefits associated with that new practice.

The shifting focus in research on institutional change from static to evolving fields and from dominant logics to constellations of logics raises many questions regarding processes involved with evolving organizational fields. First, what are the forces that cause evolution within a field? Second, how do institutional change and entrepreneurial forces combine to influence processes that move new practices, particularly those developed by fringe players, beyond innovation to widespread diffusion?

## **2.3 Emergence and Widespread Diffusion of New Practices and their Embodied Logics within Mature Fields: The Case of Niche Logic Spillover to Mainstream Markets**

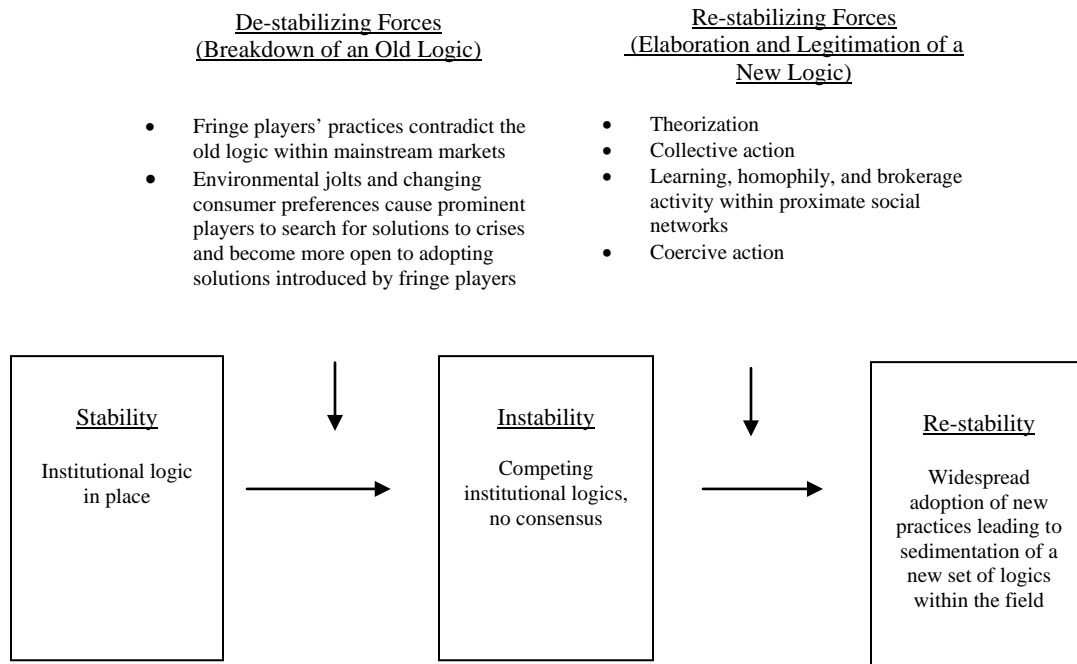
### ***2.3.1 Overview***

The first objective of this chapter is to explore the processes associated with evolution within mature organizational fields by considering a situation whereby niche practices and their embodied logic have spilled over to mainstream markets (see Figure 2.1). Organizational fields are defined as “sets of

organizations that, in the aggregate, constitute an area of institutional life; key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products” (DiMaggio & Powell, 1983: 148-149). This chapter will offer insight on the forces involved in de-stabilizing and re-stabilizing an organizational field. De-stabilization and re-stabilization refer to the breakdown (weakening) of the prevailing logic and sedimentation (the widespread diffusion) of a new set of logics within an organizational field. De-stabilization and re-stabilization differ from de-institutionalization and re-institutionalization. The former process refers to the weakening or questioning of an old logic within a focal field which, unlike de-institutionalization, does not necessarily involve the disappearance of that old logic. The latter process refers to the alteration of interactions and power balances driven by widespread diffusion of new practices within a focal field. This, unlike re-institutionalization, does not necessarily involve the institutionalization of a new logic. Instead, the arrival of a new logic can co-exist with a weakened old logic in an organizational field. As such, the sedimentation of a new set of logics may comprise only the new logic, or a combination of new and old logics.

In the context of this chapter, the main resource areas occupied by large, prominent players in a mature organizational field will be referred to as mainstream markets. Consequently, a mainstream market logic refers to the more dominant logic within a field. A niche market logic refers to a localized logic existing within a small portion of a field. One key aspect regarding these markets is that prominent players cater to traditional consumers with normally stable preferences within mainstream markets. Players serving niches instead cater to non-traditional consumers who have new and different product preferences. In contrast to past literature, the nature of the resource spaces - in terms of whether consumer bases are heterogeneous or homogenous, their size, and scale-based competition existing within them (Carroll & Swaminathan, 2000) - is not the main focus of this chapter.

**Figure 2.1: Processes of De-Stabilization and Re-Stabilization within an Organizational Field**



By combining components of network and resource dependency theory, I distinguish between: 1) fringe players - small players who occupy peripheral positions within a field, have limited resources, and serve niche markets; and 2) prominent players - large players or institutional agents who occupy central positions within a field and have vast resources.

I argue that change within a mature field is first triggered by: 1) environmental jolts (institutional change) and/or changes in consumer preferences within the organizational field; and 2) contradictions involving fringe players which first develop practices for small, niche markets that threaten the legitimacy of a current institutional logic (see Figure 2.1). These de-stabilizing forces then cause a field to move from a state of stability, in which institutional arrangements are already established, to a state of instability, in which different logics compete in a field. Players' acceptance of any of the alternatives will redefine factors such

as the relationships between actors and the definitions of success and will, in turn, redefine institutional logics (Leblebici et al., 1991). Re-stabilizing forces [theorization, learning, homophily (the similarity of characteristics among niche players), brokerage activity within networks, and collective and coercive action] are then required to facilitate the widespread diffusion and eventual legitimization of niche practices and their embodied logic within the mainstream market of a field. In sum, de-stabilizing and re-stabilizing forces cause a field to undergo a process of change until it regains a state of stability that is defined by a new set of institutional logics.

As mentioned above, unlike past literature, this chapter does not focus on the proliferation of niche markets or the strengthening of boundaries between mainstream and niche players, practices, and logics. Instead, the chapter focuses on how fringe players gain widespread diffusion of their niche practices within a mature field and, in turn, manage to blur the boundaries between mainstream and niche market players, practices, and their embodied logics. For instance, unlike the descriptions in Carroll and Swaminathan's (2000: 733) study of the micro-brewing industry, this chapter purports an existing knowledgeable tight-knit niche community of consumers and producers as not trying to maintain boundaries existing within the field, but instead as trying to diffuse their practices and associated logic by using such processes as theorization and collective action within the mainstream market.

This chapter also considers the intangible aspects involved with a niche logic's influence on a mainstream logic. These intangible aspects have been noted by scholars as requiring further research. For instance, by taking an ecological perspective, Carroll and Swaminathan (2000: 750) found that mortality rates of brewpubs strongly declined with market concentration (consolidation of generalist organizations) in earlier years but not in later years. As such, resource-partitioning theory's suggestion regarding the proliferation of specialty organizational forms with concentration was supported in the earlier years of their

study, but only partially supported in the later years.<sup>2</sup> Thus, they believe there is a sociological factor, something beyond location that is occurring. This chapter suggests that further insight into niche markets and their influence on mainstream markets may be gained by looking at the evolution of a mature organizational field from the emergence of boundaries between niche and mainstream markets to the potential weakening of these boundaries by environmental, societal, and entrepreneurial forces.

The second objective of this chapter is to explore how different types of organizational field actors (fringe and prominent players) and societal and environmental changes (e.g., environmental jolt and changing consumer preferences) interact with and are influenced by one another during various stages of evolution within a mature field. In particular, it will focus on a case where a niche market logic spills over to the mainstream portion of a field.

Few theorists have considered the general stages of an evolving field. In particular, few have considered how organizational field actors' various roles and logics, as well as large-scale institutional change caused by environmental and social forces interact or influence one another during each stage. In a later section of this chapter, a framework describing interaction between entrepreneurial, social, and environmental forces which trigger change within an organizational field will be presented. The evolution is described in three stages: 1) the breakdown of a prevailing institutional logic; 2) the elaboration of a new logic; and 3) the legitimation and sedimentation of a new logic.

Each stage will be further elaborated upon using examples from the wine, coffee, and broadcasting industries, demonstrating in turn how these industries went through the three stages of evolution. Within the industries, different interactions occurred among environmental, societal, and entrepreneurial forces to

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<sup>2</sup> Carroll and Swaminathan's (2000) hypothesis that the consolidation of generalists would result in the decreased mortality rate of specialists was supported in earlier and later years for microbrewers.

de-stabilize the field. Eventually the wine, coffee, and broadcasting industries were re-stabilized with a new set of logics consisting of both old and new logics in the case of the former two industries, and only a new logic in the case of the latter industry.

In sum, this chapter will focus on the emergence and diffusion of new practices and their embodied logic developed by fringe players. New practices introduced by fringe players featured in this model include new products, standards, or membership rules that contradict an old institutional logic. Taking Garud et al.'s (2002) definition of technology, all products, services, and technologies are defined here as physical or functional artefacts (e.g., involving shape, material construction, and use). In particular, this chapter will outline: 1) the de-stabilizing and re-stabilizing forces associated with the evolution of a mature organizational field; and 2) how various exogenous and endogenous forces interact and influence the widespread diffusion of new practices, in the case of niche logic spillover to mainstream markets.

### ***2.3.2 De-Stabilizing Forces (Breakdown of an Existing Logic)***

Changes in institutional logics within organizational fields can occur when contradictions develop between institutions and their environments, other institutions, or social behaviour. These contradictions can, in turn, result in the rethinking of a current logic, and in actions that lead to their de-stabilization (Oliver, 1992; Seo & Creed, 2002). Seo and Creed (2002) propose four sources of contradictions.

First, conformity with institutional environments that, according to theorists, is required to gain legitimacy (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Zucker, 1987) may eventually be perceived by an organization as a source of “conflict with technical activities and efficiency demands” (Seo & Creed, 2002: 226). For instance, Sun Microsystems created Java in order to break away from the increasingly marginalized Unix field and to counter the dominance of the Windows technological field (Garud et al., 2002: 201).

Second, institutional arrangements are seen as the result of political struggles among participants with diverging interests and power. As such, they are likely to reflect the interests of more powerful players “in the social arena” (Seo & Creed, 2002: 229). Consequently, many actors who are inadequately served by existing social arrangements may take action to change their current position. For instance, Covalleski and Dirsmith (1988) describe how the University of Wisconsin attempted to devise and to obtain public support for an alternative budgetary system that reflected its own interests in research and educational programs.

Third, the conformity of organizations with certain institutional arrangements may create incompatibilities with behavioural expectations at different levels or sectors of society. As a result, organizations may choose to abandon traditional arrangements for newer conflicting practices if they are exposed to compelling evidence of their superior effectiveness (D’Aunno, Sutton, & Price, 1991). For instance, Kraatz and Zajac (1996) found that Liberal Arts colleges abandoned traditional curriculum arrangements in order to satisfy curriculum demands reflecting local economic and demographic differences, such as by offering professionally-oriented courses.

Finally, contradictions may emerge when institutional isomorphism makes “adopters less able to adapt in the long run” (Seo & Creed, 2002: 227). Once institutions are legitimized, practices go unquestioned and efforts to change shared expectations are often resisted because they threaten individuals’ sense of security and disrupt routines (Powell, 1991). Essentially, institutionalized elements become embedded in networks such that change in any one element is “resisted because of changes it would entail for all the interrelated network elements” (Zucker, 1991: 105). Strong non-adaptability renders institutional arrangements vulnerable to external shocks such as intense competition by insulating them from critical information that exists beyond the institutional boundary (Uzzi, 1997) or by making them less motivated to actively respond to it (Levitt & March, 1988; Arthur, 1989). This may result in an actor’s inability to

make sense of external and internal events using existing rules and roles (structural failure). This in turn leads to variation in the way that actors enact rules and exercise role expectations (Lamertz, Martens, & Heugens, 2003).

Although the literature presents some insight into how change may occur through contradictions, many questions involving the breakdown of an existing logic within organizational fields have hardly been addressed (Hoffman, 1999; Sine & David, 2003). Of particular interest are questions such as: 1) Who will most likely initiate the contradictions that create change, and why?; 2) How do actors develop new practices that will gain legitimacy?; and 3) Why would prominent players who owe their positions to established institutionalized arrangements accept new practices?

#### *2.3.2.1 Initiators of Change: Who Will Most Likely Initiate Contradictions that Create Change and Why?*

DiMaggio (1988) first attempted to address these agency questions by claiming that only organized institutional entrepreneurs who possess sufficient resources are capable of introducing institutional change. He argued that the creation of and change of institutions is expensive and therefore requires high levels of interest and resources. Leblebici et al. (1991), on the other hand, reveal a different perspective than that of DiMaggio (1988). They claim that radically new practices that may evolve into conventions, and therefore result in de-institutionalization within a field, are most likely to be introduced by fringe players. Such practices will be introduced by fringe players who are seeking to realize value from the transactions. They thus suggest that the potential for achievement is a driving force for variation (Child, 1972; Kondra & Hinings, 1998). They also point out that fringe players are newer or less powerful participants for whom experimentation is less costly and who are less likely to be sanctioned by more central players. For instance, new practices in radio broadcasting were introduced by “shady” traders, small independent stations, or enterprising advertising agencies. The dominant players, who had vested interests



in the institutionalized practices, instead used their resources to maintain the status quo or to introduce practices that confirmed established conventions.

Fringe players thus become what Schumpeter (1942) called “creative responders.” Such actors make deliberate decisions which lead to disruptive actions that, in turn, force other firms to make abrupt, often unforeseen, transitions (Swedberg, 1991). In the broadcast industry, because distributional outcomes produced by institutionalized conventions were not advantageous to all parties, competition for the resources deemed necessary for the success of the established players intensified. This encouraged prominent players to adopt practices that were successful at the periphery which, in turn, legitimized radical experiments. Eventually, this activity altered both transaction patterns among participants and typical dimensions of success.

The reason that fringe players are more likely to develop disruptive practices compared to prominent players within organizational fields becomes apparent when one considers the latter’s identity and inflexibility. First, the role of prominent players as maintainers of the status quo can be explained by their socially-constructed identity within a mature organizational field. Normative positions within an organizational field “provide the actors that occupy them with institutional interests and opportunities” (Maguire et al., 2004: 658). These interests and opportunities ultimately shape a player’s identity. Identity is defined as: 1) central to the organization, 2) what makes it distinctive from others, and 3) what is perceived by members as an enduring and continuing feature linking the present organization with the past (Albert & Whetten, 1985). These identities are then maintained “through interaction with other organizations by a process of inter-organizational comparison over time” (Gioia, 1998: 21). Eventually, expectations regarding acceptable behaviour for specified actors are developed within an organizational field, after which point they will internalize these normative roles to varying degrees. These same expectations can be interpreted as an external pressure to conform (Scott, 2001). Actors “become constituted in ways which render them more subject to those mechanisms and strategies of

power which confirm” their individualized sense of selves (Maguire, Phillips, & Hardy, 2001: 288). Hence, one can say that the individual sense of self of prominent players is confirmed by maintaining conventional institutionalized practices. It is thus up to fringe players to introduce change through the development of new practices that deviate from current institutional arrangements.

Further, as organizations grow, the potential costs of change can create structural inertia. Larger organizations with their concomitant larger investments in infrastructure face greater risks in making changes than do smaller ones (Fligstein, 1987). Fringe players serving niche areas tend to be small (Carroll & Swaminathan, 2000: 720) because resources are generally thin in these highly specialized resource regions. Therefore, those likely to introduce deviations or instability within a mature organizational field are not the large, highly connected ones, such as the prominent players within a network, but the smaller, lesser connected fringe players within organizational fields.

Finally, although he refers to fast-paced, unstable fields, Christensen (1997) also suggests that prominent players at first ignore or do not pursue disruptive innovations because they are wedded to powerful existing customers’ needs. He proposes that the value network – the context within which a firm competes and solves customers’ problems – is an important factor in whether a firm successfully innovates (Christensen & Rosenbloom, 1995). For instance, IBM showed no interest in disruptive 3.5-inch drives made by the established prominent player, Seagate. Instead, IBM’s engineers and marketers were looking for 40 and 60 MB drives, since they already had a slot for 5.25-inch drives designed into their computers. IBM thus needed drives that would take them further along their established performance trajectory. As a result, Seagate decided to shelve the project just as it was becoming firmly established in the laptop market (Christensen, 1997). Its reasoning was that the markets for 5.25-inch products were larger. Hence, the company believed that engineering effort on

new 5.25-inch products would generate greater revenues for the company than would efforts targeted at new 3.5-inch drives. Seagate's response was not atypical; "by 1988, only 35% of the drive manufacturers which had established themselves making 5.25-inch products for the desktop PC market had introduced 3.5-inch drives" (Christensen & Rosenbloom, 1995: 248).

Hence, because incumbents are under pressure to pursue innovations in markets that can sustain corporate growth rates and enhance overall profit margins, "they conclude that investing in disruptive innovations is irrational" (Hart & Christensen, 2002: 52). Thus, incumbents were found to lead the industry in developing and adopting new technologies as long as the technology addressed customers' needs within the value network in which the incumbents competed (Christensen & Rosenbloom, 1995). I propose that this reasoning applies to prominent players. Prominent players in mature fields will ultimately not invest in new disruptive practices because they do not believe that their current mainstream customers are interested in such products.

Adding to Leblebici et al.'s (1991) claim denoting fringe players as the origin of change<sup>3</sup>, and Christensen's (1997) claim that only small players get excited over small markets, I believe that small, fringe players develop new practices that deviate from old institutional ones largely to serve niche markets. Niche markets are small, highly specialized resource areas that usually consist of non-traditional consumers that demand or would appreciate new and different products.

Similar to resource-partitioning theory, I believe that the consolidation occurring among prominent players as they compete for the largest consumer resource bases of the mass-market results in the rise of niche segments within a mature organizational field. Again, because resources tend to be thin in highly

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<sup>3</sup> Leblebici et al. do not distinguish between niche and mainstream markets or players.

specialized resource regions, players serving those specialized areas tend to be small (Carroll & Swaminathan, 2000: 720). Furthermore, most prominent players see these areas which consist mainly of non-traditional consumers as too small to make a profit or too costly to serve. Hence, it is in the highly specialized (niche) resource spaces which lie away from the intense competition pressure of the larger prominent players that small entrepreneurs can find viable locations.

Fringe players serving niche markets must develop and/or introduce new practices that deviate from current institutionalized ones to serve the non-traditional consumers in these segments. For instance, changing consumer preferences, resulting from increasing consumer affluence within the United States, contributed to the emergence of small, upscale niches (e.g., production of dessert wines) within the California wine industry (Swaminathan, 1995). Other products introduced originally for non-traditional consumers in niche markets include specialty coffee (Rindova & Fombrun, 2001) and micro-brewed beer (Carroll & Swaminathan, 2000). Often, these non-traditional consumers do not mind paying the higher price for quality or higher performance. For instance, at first, the only consumers willing to accept applications (i.e., laptops) that used 3.5-inch drives were non-traditional consumers who accepted the exchange of less capacity and higher costs per megabyte for a lighter, more rugged, and lower power-consuming product (Christensen, 1997: 20). It is thus within these niche spaces that small entrepreneurs will perceive an opportunity to realize value from developing new practices that deviate from mainstream ones.

In sum, the players that seem more likely to introduce practices that contradict a prevailing institutional logic within a mature organizational field are not the prominent ones, but rather the players serving small, more specialized (niche) markets located on the fringe of the mainstream portion of an organizational field.

***Proposition 1:*** *New practices in a mature organizational field are most likely to be introduced by fringe players serving niche markets.*

Another question to consider in terms of initiators of change is: Who develops ideas that facilitate change? Organizations tend to model themselves after other similar ones that they perceive to be more legitimate and successful than themselves. Most theorists argue that this type of imitation occurs mainly within a field, as those organizations tend to be more visible and perceived as important competitors (DiMaggio & Powell, 1991; Haveman 1993). However, evidence reveals that actors also imitate practices in different, more prestigious fields, those large and highly profitable ones. For instance, DiMaggio and Powell (1991: 69) identify Japanese modernizers' attempts, in the late 19th century, to model new government initiatives on apparently successful Western prototypes (e.g., military, police, court, postal system, banking, and art education). Likewise, the establishment of the American appellation system, American Viticultural Area (AVA)<sup>4</sup> in 1978, which governs the viticulture designations acting as a measure of product quality within regions in California's wine industry, seems to parallel the Appellation d'Origine Contrôlée in France, which was first implemented in 1935. Benjamin and Podolny (1999: 568) state that this system was partially developed to enhance the perceived value of American wine in the international marketplace by establishing the credibility of appellation designations on its labels. A similar system has since been adopted by a number of other wine-producing countries. Players must be exposed however to new information about practices within these prestigious fields in order to gain knowledge of and emulate them.

I suggest that actors must have access to a structural hole which separates contacts between their own focal field with those within a prestigious field in order to gather information about that prestigious field's practices. "Structural holes separate nonredundant sources of information and thereby, constitute opportunities to broker the flow of information among actors and control projects

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<sup>4</sup> Wineries distinguish their products by labelling their wines with the AVA as an appellation of origin (Swaminathan, 1995). This system, established by the Bureau of Alcohol, Tobacco, and Firearms (ATF), states that a winery may place a politically designated region on its label if no less than 85 percent of the grapes from the designated area go into the wine (Alcohol and Tobacco Tax and Trade Bureau, 2010).

that bring network participants together from opposite sides of a hole” (Burt, 1992; Rowley, Greve, Rao, Baum, & Shipilov, 2005: 504). Contacts are redundant to the extent that they lead to the same organizations, and so provide the same information benefits (Burt, 1992: 17). Actors focus on activities inside their own group, thus creating these structural holes in the information flow between groups (Burt, 2004: 353).

Burt (2004: 349-350) believes that actors standing near holes in a social structure have a greater chance of having good ideas. These are ideas that other actors praise and value, since opinion and behaviour are more homogenous within than between groups. People connected across groups are more familiar with alternative ways of thinking and behaving. This gives them more options from which to select and synthesize. As such, “brokerage across holes becomes a vision of options otherwise unseen, which is the mechanism by which brokerage becomes social capital” (Burt, 2004: 349). Actors with access to such holes are thus able to explore the new opportunities gained through attaining enhanced information from other groups relative to the collective actors whose exchanges it mediates (Burt, 2000; Rowley et al., 2005: 504).

According to Burt (2004: 355), there are four levels of brokerage through which an actor can create value. The first is to make actors on both sides of the structural hole aware of interests and difficulties in the other group. At the field level, this will help actors learn of market problems and/or happenings. Second, actors familiar with activities in two groups are more able than actors confined to one group to see how a practice and its embodied logic in one group can create value in the other. They also know how to translate the practice into language digestible in the focal group. A third level of brokerage is to draw analogies between groups ostensibly irrelevant to one another. Actors “who recognize that the way other groups think or behave may have implications for the value of operations in their own group will have an advantage over those who do not” (Burt, 2004: 355). The final level of brokerage involves synthesis such that

people familiar with activities in two groups are more likely to develop new practices by combining elements from both groups. Hence, entrepreneurs will not simply emulate a practice but will also customize it to their needs. They will combine elements (bricolage) from existing repertoires within other prestigious fields through imitation and consciously revise these existing models on the basis of their own training in their focal field (Douglas, 1986; Rao, 1998).

Theorists have found evidence that structural holes lead to what Burt (2004) describes as ‘good ideas’ within fields. For example, DiMaggio (1992) describes Paul Sach’s role as a broker in establishing the Museum of Modern Art because of his strong ties to sectors within the field, museums, universities, and finance that had previously been only weakly linked. Moreover, McGuire and Granovetter (in Burt, 2004: 356) describe Samuel Insull as a broker who used contacts within finance, politics, and technology sectors of a field to shape the electric utility industry at the turn of the century. Furthermore, theorists have shown that this type of brokerage activity has resulted in higher performance (e.g., Geletkanycz & Hambrick, 1997), greater access to competitive ideas (e.g., McEvily & Zaheer, 1999), higher probability of innovating (e.g., Stuart & Podolny, 1999), higher earning rates (e.g., Baum, Calabrese, & Silverman, 2000), greater advantage in attaining patents (e.g., Baum et al., 2000), higher survival chances (e.g., Koput & Powell, 2003 in Burt, 2004), and higher frequency of investing in early product development (e.g., Podolny, 2001) when managers and/or firms have boundary-spanning relationships beyond their own firm, sector, and/or industry. Furthermore, at the organizational level, Burt (2004) found that managers with access to structural holes were perceived by other organizational members as creators of valued and praised ideas or, put more simply, creators of good ideas. These managers were thus positioned in a way which enabled them to spread good ideas across business units. This type of communication resulted in shifts in thought within the manager’s focal group and/or other groups within the organization. These shifts offered new possibilities for discovery and created new facts.

Evidence also reveals that many successful and innovative players seemingly have access to a structural hole that separates contacts within their focal field from those within a prestigious field. Such access is not shared by other players and thus, has an impact on their success in developing innovations that later achieve widespread diffusion. For instance, Alfred Peet, the founder of the specialty coffee industry in North America, learned about tea, coffee, and the various techniques he later used, such as dark roasting, while acting as a tea taster for the Dutch government and living in Indonesia and Java (Rindova & Fombrun, 2001). Peet had access to a structural hole during the time he had interactions with the prestigious fields whereby he collected enhanced information about their practices. It was this access that enabled him to develop innovations within his own field. Furthermore, American firms were able to emulate the total quality management (TQM) techniques of Japanese firms by hiring the very same consultants to implement them (Powell, 1995). Therefore, these firms had access to enhanced information within the Japanese organizational field that other organizations within the United States did not.

Greenwood and Suddaby (2006) use the term ‘boundary spanning position’ to describe connections between fields that influence entrepreneurial activity by central players in a focal field. A boundary spanning position essentially exposes a field player to logics in other fields prompting, in turn, reflection of logics in his own field. I propose that fringe players who occupy positions between fields that are not shared by other actors in the field are also more inclined to initiate entrepreneurial activity in their own field. Thus, I propose that small, fringe entrepreneurs with access to a structural hole that separates contacts in a focal field with those in a prestigious field are more likely to develop and produce new practices within their fields or innovate, as compared to players without such access.

***Proposition 2:*** *Fringe players with access to structural holes separating contacts in their own focal field with those in more prestigious fields are more likely to develop innovative practices within a mature field than those without such access.*



### *2.3.2.2 Forces of Change: Why Would Prominent Players Who Owe Their Positions to Established Institutionalized Arrangements Accept New Practices?*

Changing consumer preferences and environmental disruptions often provoke prominent players to question a prevailing logic within the mainstream market of an organizational field and to search for a new logic.

#### *2.3.2.2.1 Environmental Jolts*

Environmental jolts can be defined as “transient perturbations whose occurrences are difficult to foresee and whose impact on organizations is disruptive and often inimical” (Meyer, 1982: 515). These environmental pressures highlight assumptions about the environment and relationships “between institutionalized practices, technologies, organizational forms, and outcomes that may not be apparent in times of stasis” (Sine & David, 2003: 186). These strong pressures have also been referred to as shocks (Fligstein, 1991) or discontinuities (Lorange, Scott, & Ghoshal, 1986). They can be categorized, according to Oliver (1992), in the following three ways. 1) Those caused by political pressures, such as de-regulation. Or, those caused by political upheavals which result in the redistribution of power and thus effect changes in the dependence of constituents, including state or prominent firms that enforce conformity. For example, Dobbin and Dowd (1997) found that Antitrust laws in the U.S. increased competition and reduced foundings in a wide range of industries (see also Carroll, Delacroix, & Goodstein, 1988; Wholey, Christianson, & Sanchez, 1992). 2) Those caused by social pressures that discourage or prohibit perpetuation of institutional practices. For instance, Frank, Hironaka, Meyer, Schofer, and Tuma (1999) found that changing conceptions of the natural environment forced organizations to abide by public pressure, and implement practices that did not degrade it. 3) Those caused by functional pressures that involve changes in perceived utility or in the technical requirements of institutionalized practices. For instance, increased competition for resources may

force organizations to become more innovative in their attempt to distinguish themselves from competitors (i.e., Perry & Rainey, 1988).

Jolts may lead players within a field to investigate the cause and symptoms of the crisis, identify problems and weaknesses within existing institutions, and search for new logics, forms, and practices (Sine & David, 2003). For instance, Strang and Bradburn (1994) found that the crisis provoked by a reduction in the healthcare budget instigated powerful players to search for organizational structures and practices in the healthcare sector connected to the crisis. Powell (1991) suggests that the major institutional actors in the U.S. began to consider alternative forms of work organizations when faced with a serious economic crisis in the late 1970s and early 1980s.

These search processes can cause what Sine and David (2003) call a “solution bazaar” where previously stable organizational fields become accessible to all entrepreneurs with solutions, including those serving niche markets. These redefine the set of available solutions by identifying those that were not considered to be legitimate alternatives in the past (Thornton, 1995). The “solution bazaar” is then created in which “decision makers shop for appropriate solutions, and entrepreneurs with solutions ... sell themselves as the best alternative to decision makers’ needs” (Sine & David, 2003: 188).

Environmental jolts often result in prominent players partnering with fringe players. For instance, Sine and David (2003) found that search processes instigated by a need to find a solution for the 1972 oil crisis provided peripheral actors in the electric power field with vital access to central policy-makers. Ultimately, these peripheral players (e.g., alternative energy advocates) partnered with powerful institutional actors to influence legislative decisions. These findings also echo tenets of social network theory which hold that only in special circumstances, such as the desire to obtain control of a new technology, will prominent organizations partner with peripheral organizations (Gulati, 1998).

This is because prominent firms have a vested interest in avoiding relations with peripheral producers, as these relations pose a threat to their own position (Benjamin & Podolny, 1999: 567). Therefore, I propose that prominent players will be more open to the practices of fringe players if the latter can offer a solution to an organizational field crisis created by an environmental jolt.

***Proposition 3:*** *Environmental jolts will increase the likelihood that prominent players will adopt new practices developed by fringe players in a mature organizational field.*

#### 2.3.2.2.2 Changing Consumer Preferences

Another important driver of large-scale institutional change is evolving consumer preferences. Contrary to environmental jolts, changing consumer preferences stemming from evolving societal trends occur very slowly and unfold over a long period of time. For instance, Haveman and Rao (1997: 1607), in their study of the early thrift industry from 1890 to 1928, found that changes in organizational form and rules were driven in part by the displacement of California's stable, localized small-town society from 1870 to World War I by a heterogeneous society full of strangers. This heterogeneous population arose because the railroad, telegraph, telephone, automobile, newspapers, and airplane greatly diminished geographic distance. This in turn promoted migration from countryside to city, migration across the United States, and culturally heterogeneous immigration from Europe (Haveman & Rao, 1997: 1637). Changes in consumer preferences in the mainstream portion of the field would have resulted from these broad social trends.

Similar to environmental jolts, changes in consumer preferences can also cause prominent players to question a prevailing institutional logic and to be more open to adopting a new logic. For instance, in the coffee industry, declining coffee consumption which, according to the National Coffee Association, fell from 3.1 cups in 1961 to 1.75 cups in 1991 caused prominent players in the industry to question institutionalized practices used by the prominent commercial coffee producing players like Folgers, Maxwell House, and Nestlé. The head of

Colombia's coffee growers' association, the Federation Nacional de Cafeteros (FNC), blamed declining coffee consumption by American consumers on the industry's poor product quality (Rindova & Fombrun, 2001).

Changing consumer preferences by their very nature result in "gradual and enduring social change" within an organizational field rather than a fad or fashion (Rao et al., 2003: 811).<sup>5</sup> This type of change thus can lead to activity that may permanently alter the composition, appropriateness, and characteristics of organizational field practices and their embodied logic.

I propose that prominent players will be more open to the practices of fringe players if the latter offers a solution that is consistent with changing consumer demand within the mainstream portion of an organizational field.

***Proposition 4:*** *Changes in consumer preferences will increase the likelihood that prominent players will adopt new practices developed by fringe players in a mature organizational field.*

### ***2.3.3 Re-Stabilizing Forces (Elaboration, Legitimation, and Sedimentation)***

Once an environmental jolt occurs or consumer preferences change, fringe players have an opportunity to develop and/or offer their niche solutions to the mainstream. However, in mature fields where entrepreneurs face pre-existing institutionalized practices that are under threat and stable and interlocked relationships among participants (Maguire et al., 2004), change requires the breakdown of old sets of logics and the construction of new ones (Lounsbury, 2002: 255). It follows that re-stabilizing a field with a new logic associated with niche practices requires: 1) that fringe players participate in actions which enable them to convince field participants, particularly those in the mainstream, of the value of their new, niche practices; and 2) that mechanisms exist which enable participants to see the benefits associated with those niche practices. This will, in

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<sup>5</sup> Fashions are social patterns favoured for a short time by a large number of actors. Fads are unconventional social patterns embraced briefly but enthusiastically by actors (Hirsch, 1972; Rao et al., 2003: 811).

turn, lead to the legitimation and widespread diffusion of those new niche practices within the field.

*2.3.3.1 Elaboration of a New Institutional Logic: How Do Entrepreneurs Convince Other Field Participants to Accept Their New, Niche Practices as Mainstream Market Solutions?*

Fringe players must convince organizational field participants of the benefits of a new, niche practice's value in order for it to gain legitimacy. Suchman (1995: 574) defines legitimacy as a "generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, or definitions." A mainstream logic represents generalized perceptions and assumptions of appropriate norms, values, beliefs, and definitions within a field. A niche logic represents localized perceptions and assumptions of appropriate norms, values, beliefs, and definitions. Hence, the more dominant, widespread legitimized practices within a field are those that exist within the mainstream market. Niche practices, on the other hand, are only considered legitimate at a local level. As such, they are not considered to be representative of the entire field.

Suchman (1995) identifies the following three types of legitimacy. 1) Pragmatic legitimacy, which involves direct exchanges between audiences and rests on self-interested calculations concerning political, economic, and social interdependencies of an organization's most immediate audiences (Suchman, 1995: 578). 2) Moral legitimacy, which reflects a positive normative evaluation of the organization and its activities, as well as whether or not the activity effectively promotes societal welfare, as defined by the audience's socially constructed value system (Suchman, 1995: 579). 3) Cognitive legitimacy, which involves the acceptance of an activity as necessary or inevitable, based on some taken-for-granted cultural account (Suchman, 1995: 582).

Theorists claim that, among the many problems facing innovative entrepreneurs, the relative lack of legitimacy is especially critical. This is the case given that crucial stakeholders may not fully understand the nature of the new ventures, and their conformity to establish institutional rules may still be in question (Aldrich & Fiol 1994; Rao et al., 2000). Gaining legitimacy is thus key given that the legitimate organization is not only seen as more worthy, “but also as more meaningful, more predictable, and more trustworthy” (Suchman, 1995: 575).

Furthermore, when the number of organizations using a new practice is low, such as is the case within a niche market, organizations using the new practice are believed to have a lower chance of survival. This is because these organizations must learn new roles in the absence of role models. Moreover, they must establish ties within an environment that not only fails to understand them, but does not even acknowledge their existence (Aldrich & Fiol, 1994: 648). Hence, entrepreneurs’ access to factors that ultimately ensure their survival, such as capital, markets, and governmental assistance, is dependent on the level of legitimacy they achieve.

I propose that fringe players serving niche markets will seek to gain the legitimacy of new, niche practices within the mainstream market of a mature organizational field when presented with an opportunity to do so. They will seek to gain legitimacy of their practices both for economic gains and to further their organizational prestige within that field. Hence, unlike past research which emphasizes the roles of niche market players as trying to define and maintain the boundaries between niche and mainstream markets (Carroll & Swaminathan, 2000), I suggest that fringe players serving niche markets will instead try to tear down the partitions between niche and mainstream markets within mature organizational fields. I propose that they will do so through: 1) theorizing processes, and 2) taking collective action.

#### 2.3.3.1.1 Theorization

Strang and Meyer (1993) suggest that for new practices to be widely adopted, they have to be “theorized.” Theorization refers to the “self-conscious development and specification of abstract categories and the formulation of patterned relationships such as chains of cause and effect” (Strang & Meyer, 1993: 492). “Such theorization accounts simplify and distil the properties of new practices and explain the outcomes they produce” (Greenwood et al., 2002: 60). In effect, it is the process whereby localized deviations from prevailing conventions become abstracted and “made available in simplified form for wider adoption” (Greenwood et al., 2002: 60). Tolbert and Zucker (1996: 183) suggest that there are two tasks involved in theorization: 1) specification of a general organization failing for which a local innovation is a solution; and 2) justification of that innovation. Theorization thus is “the process whereby organizational failings are conceptualized and linked to potential solutions” (Greenwood et al., 2002: 58).

The concept of theorization therefore reflects both institutional views and Fligstein’s (1987) structural theory of power, which bases an agent’s claim to power in part on the ability to identify and resolve field problems. In fact, Greenwood et al. (2002) found that theorizers’ failure to identify a problem, along with an opportunity, within the accounting field initially influenced field indifference towards accounting firms providing multidisciplinary services. Therefore, diffusion of an idea will most likely occur if an entrepreneur justifies the value of change by identifying a problem and presenting an idea as its solution. The importance of this type of theorization is thought to be especially acute in mature, highly structured fields where the templates of appropriate organizational rules and forms are established and structured. Theorization in such settings is not only required to justify the value of change but also to help gain legitimacy for a new practice on the basis of appropriateness (moral legitimacy) rather than solely on anticipated economic outcomes (pragmatic legitimacy).

Although Greenwood et al.'s (2002) study focused on theorization processes used by professional organizations responding to prominent players in an industry, I also believe that theorizing is an important concept that could be used by fringe players when promulgating their ideas to other sub-communities which differ from their own. Therefore, in terms of niche market logic's influence on a mainstream logic, I argue that theorizing helps develop a shared understanding amongst prominent players and niche players within an organizational field through niche players' attempts to renegotiate meaning within an organizational field (McAdam, Tilly, & Tarrow, 2001; Rao et al., 2003: 819). For instance, by presenting their niche practices as solutions to mainstream field problems, niche players' practices will no longer be seen as disruptive innovations by prominent players. Theorizing essentially enables niche players to connect with and emphasize similarities between themselves and those within the mainstream. This in turn causes local innovations to undergo a scale shift and become widespread. Therefore, I propose that entrepreneurs will gain widespread diffusion or legitimacy for their new niche practices within mainstream markets if they are theorized as potential solutions to widespread, mainstream market problems within a mature organizational field.

***Proposition 5:*** *Fringe players who theorize their new practices as solutions to an identifiable and widespread problem within a mature organizational field are more likely to gain legitimacy for those practices within the mainstream market of that field than those who do not.*

Entrepreneurs use frames when theorizing. Frames are schemata of interpretation that help actors reduce socio-cultural complexity in order to perceive, interpret, and act in ways that are socially efficacious (Benford & Snow, 2000: 614; Lounsbury, Ventresca, & Hirsch, 2003). These frames help to render events meaningful and “thereby function to organize experience and guide action” (Benford & Snow, 2000: 614). Strang and Meyer (1993: 495) suggest that entrepreneurial models “must make the transition from theoretical formulation to social movement to institutional imperative.” As such, effective framing is achieved by not only asserting an idea's functional superiority, but also by placing it within prevailing normative prescriptions (Greenwood et al., 2002: 60).



Similarly, Lounsbury and Glynn (2001: 559) suggest that entrepreneurs must “learn to become skilled cultural operatives who can develop stories about who they are and how their resources or ideas will lead to future benefits for consumers and society.”

In order to gain legitimacy, access to resources, and realize value from their transactions (i.e., profit), entrepreneurs must astutely construct stories that balance legitimacy by abiding to social norms of what is appropriate with efforts to create unique identities that may lead to competitive advantage (Lounsbury & Glynn, 2001). One means of achieving such a balance is through effective framing, which aligns stories with core values in a manner that ensures that the integrity of a profession/industry will be maintained or improved, and/or emphasizes a moral or pragmatic obligation for change (Rao, 1998; Greenwood et al., 2002).

Greenwood et al. (2002) found that large accounting firms were able to convince other field participants of the need to broaden the domain of accounting services beyond their traditional financial focus by: 1) aligning their views with the core values of their profession; and 2) using language that appealed to a sense of obligation. For instance, large accounting firms presented the accounting profession as under threat due to external shifts in the marketplace. They claimed that Chartered Accounting (CA) firms were threatened by competitors taking advantage of emerging opportunities. Their message thus implied that without change CA firms would lose market share. As well, they presented movement into new markets as legitimate because accounting firms had the necessary expertise and appropriate value set (Greenwood et al., 2002: 72).

First, by defining the profession according to its values, such as objectivity, integrity, expertise, and service, rather than abstract knowledge, “the jurisdictional domain to which these values could be applied became fluid and open to reinterpretation” (Greenwood et al., 2002: 72). In this way, change was

actually portrayed as continuity with the past because the basis of the profession was not its domain of service, but rather its core values. In this sense, change was presented as “a natural, almost inevitable, progression” (Greenwood et al., 2002: 72).

Second, by using expressive language that emphasized moral obligation, change became seen as a necessity within the accounting field. The entrepreneurs seemed less self-serving or opportunistic and, instead, appeared to promote the interests of the profession. For instance, the large accounting firms promoted their interests by emphasizing how the profession had to change in order to better meet customer needs. Moreover, they used a rhetorical tone “urging the need for change in an increasingly dramatic form” (Greenwood et al., 2002: 72). Similarly, Rao (1998) found that emphasizing a moral obligation by, for instance, speaking of the need for retailers to serve as protectors of the consumer, enabled consumer research associations to gain legitimacy.

Theorists also suggest that entrepreneurs may need to design their products in a manner that balances the two forces that collide “when innovations meet institutions”. These forces include those accounting for the stability of social systems and those accounting for change (Hargadon & Douglas, 2001: 476). Hargadon and Douglas (2001: 498) suggest that Thomas Edison sought to displace gas lighting technology with electricity without requiring dramatic changes in the surrounding understandings and patterns of use. As a result, he developed a design for electric lighting that mimicked virtually every aspect of the familiar gas system.

Studies describe how new practices become legitimized when they are adopted by exemplary players (Greenwood et al., 2002: 61) and are thought to provide economic benefits (e.g., Tushman & Anderson, 1986; Leblebici et al., 1991). However, in mature fields, where conventions are highly normative, that is, where power positions are established and ordered, it is unlikely that the

adoption of new practices is based solely on economic benefits. In order to gain legitimacy and realize value from their activities, I propose that fringe players must develop stories or design products that present the meaning and value of their innovations in the language of existing institutions within the mainstream market. They can do so by giving them the appearance of familiar ideas (Hargadon & Douglas, 2001: 478). For instance, prominent players may consider adopting niche practices if they believe it will help them offer better services to mainstream consumers. The framing of ideas like other forms of theorizing will help present them “as not simply a function of anticipated economic outcomes, but of professional appropriateness” (Greenwood et al., 2002: 75). This will make migration to new practices more acceptable in professional arenas.

***Proposition 6:*** *Fringe players who frame their new practices by incorporating professional values are more likely to gain legitimacy for those practices within the mainstream market of a mature organizational field than those who do not.*

#### 2.3.3.1.2 Collective Action

Institutional theorists acknowledge the importance of mobilizing collective action to gain legitimacy of new practices. In fact, they claim that the persuasion of peers to adopt solutions can eventually lead to praxis: “the free and creative reconstruction of social patterns on the basis of reasoned analysis of both the limits and the potentials of present social forms” (Seo & Creed, 2002: 225). Hence, collective action may eventually lead to the restructuring of normative rules and roles within an organizational field (Scott, 2001).

Aldrich and Fiol (1994) suggest that mobilizing collective action is required to raise the legitimacy of emerging industries and as such gain access to capital, governmental protection, and other markets within an organizational field. They define an industry as groups of organizations with similar products/processes. I propose that collective action also enables fringe players serving emerging niche markets to raise their legitimacy not only to gain access to capital and government protection, but to also gain access and achieve widespread diffusion of their practices within the mainstream (dominant) portion of an

organizational field. Aldrich and Fiol (1994) claim that collective action can raise the legitimacy of an emerging industry along two dimensions: 1) socio-political approval, when key stakeholders, the general public, key opinion leaders, or government officials accept a venture as appropriate, given existing norms and laws; and 2) cognitive, which involves becoming a taken-for-granted feature within that industry. Collective action can also help raise the legitimacy of new, niche practices and their embodied logic along these same dimensions within a mature organizational field.

First, collective action often helps entrepreneurial practices gain socio-political approval or helps inhibit the success of other alternatives. Established organizations would normally challenge entrepreneurial practices that threaten their markets. They will challenge newcomers by questioning their compatibility with existing norms and values. For instance, the success of funeral home owners in controlling state regulation of the industry has kept the rate of establishment of technically superior alternatives low, almost completely suppressing the emergence of competing organizational forms (Aldrich & Fiol, 1994: 656). Cooperating with third parties or trade associations may help to educate or influence third parties about the value of a new practice and, in turn, to include it in their systems. For instance, Greenwood et al. (2002) found that professional associations reframed the emerging movement of accounting firms in expanding their services in a way that nullified any reluctance to it. Although Greenwood et al.'s (2002) study focused on professional organizations responding to prominent players in an industry, I believe that cooperating with third parties can also help fringe players reframe their niche practices in a way that will help gain prominent players' approval. This in turn may lead to the legitimacy and widespread diffusion of those practices within the mainstream market.

Second, the nature of relations between field players, whether competing or cooperating, affects the distribution of resources and the terms on which they are available to entrepreneurs. For instance, entrepreneurs who cooperate with

third party actors to promote their activities may help those entrepreneurs gain legitimacy within an organizational field more quickly. This is the case given that those third parties may help emphasize aspects of those entrepreneurial ventures that evoke identities others will perceive as risk-oriented, yet responsible. For instance, Lee and Penning's (2002) study of a population of Dutch accounting firms between 1925 and 1990 revealed that social networks provided the essential market feedback required to legitimize an emerging novel structure. Market responses favouring innovative organizations lead people to attribute organizational performance to that innovation, and, therefore, to regard its adoption as legitimate (see also Lounsbury, 2002). This is important, since established organizations may undermine the legitimacy of a new venture or emerging niche market through the suppression of information or through rumours because they feel threatened. Furthermore, by cooperating with one another, niche organizations can share information and research to improve niche market conditions and strengthen their product, as well as promote awareness of their emerging industry (Rindova & Fombrun, 2001). This in turn may help gain prominent players' and consumers' attention within the mainstream market.

Third, gaining government support is often vital given that government agencies play a role in structuring the inter-organizational environment of industries. For instance, by lobbying the Food and Drug Administration and the Environmental Protection Agency in an attempt to create a more certain regulatory environment, the Industrial Biotechnology Association was able to gain approval of its first diagnostic kit based on a monoclonal antibody. This in turn helped raise the founding rate of new biotech firms in subsequent years (Aldrich & Fiol, 1994: 662).

In sum, new practices that are supported by collective action are more likely to achieve legitimacy and widespread diffusion. This is the case given that such action may help frame new practices in an acceptable manner. It also helps

disseminate knowledge, when market feedback is positive, about the practices' value.

***Proposition 7:*** *Fringe players who use collective action are more likely to gain legitimacy for their practices within the mainstream market of a mature organizational field than those that do not take such action.*

#### *2.3.3.2 Legitimation and Sedimentation of a New Logic within the Mainstream Market of a Field: What Mechanisms Convince Field Participants that There are Benefits Associated with Accepting New Practices?*

Mechanisms that support large-scale change are also required to achieve widespread adoption of niche practices within a field. Organizations that are, for instance, locked into conventional practices due to large-scale investment may have to see the benefits achieved by its early adopters in order to perceive new niche practices as legitimate. Hence, entrepreneurial action used to convince these prominent players of the value of their new niche practices may not be enough. Certain change mechanisms thus must occur in order to coax some field participants to adopt new practices and those practices' embodied logic.

DiMaggio and Powell (1983) identified coercive, mimetic, and normative mechanisms as supporting large-scale isomorphic change. First, coercive isomorphism stems from informal and formal pressures imposed on organizations by the institutions on which they rely for resources and for gaining legitimacy. Organizations are thus pressured by network peers to conform either through force, persuasion, or invitation. Second, mimetic isomorphic change occurs when environmental uncertainty drives organizations to mimic the actions of peers that are perceived as legitimate and successful. Three types of mimicry diffusion processes include: 1) bandwagon effects, which occur when decision-makers emulate innovators not because of their individual assessments of the innovation's efficiency or returns, but because of the sheer number of organizations that have adopted the innovation; 2) status-driven processes, which occur when organizations attempt to increase legitimacy by mimicking the adaptive changes undertaken by large or prominent organizations in a field or network; and 3) that

of social learning, which occurs when organizations observe and evaluate outcomes from which peers have benefited as a result of earlier adoption decisions (Kraatz, 1998). Finally, normative isomorphic change involves rules and norms that not only define goals and objectives, but also designate appropriate ways to pursue them (Scott, 2001: 54). This type of change largely stems from professional networks and education or training. These mechanisms ultimately reduce organizational discrepancies in goal preferences and in practices through the establishment of common understanding and values within an organizational field. This in turn leads organizational field members to become committed to a new practice.

In mature, recently de-stabilized fields in which social network positions still hold, certain change mechanisms need to occur in order to enable field participants to observe the benefits associated with adopting new niche practices. This in turn will result in their acceptance of those new practices as legitimate features of the field. I propose that these participants will be able to do so through: 1) learning and brokerage activity in compact social networks; and 2) the adoption of new practices by prominent players. These mechanisms will eventually lead to isomorphic change through mimicry, in the former case, and coercion in the latter.

#### 2.3.3.2.1 Social Learning, Homophily, and Brokerage Activity within Compact Social Networks

Recently, theorists have focused on the overall structure of networks rather than primarily on a firm's position within its local network to explain how structural properties of interfirm networks affect organizations' economic performance and innovation (e.g., Jones, Hesterly, & Borgatti, 1997; Gulati, 1999; Baum, Rowley, & Shipilov, 2004; Rowley et al., 2005). They conceive of networks as "dynamic systems that self-assemble and evolve in time through the addition and removal of actors and ties" (Baum et al., 2004: 308). One such network structure is the small world network which is characterized by a high

degree of clustering. Clustering is characterized by: 1) a heightened probability of two actors being acquainted if they have one or more other acquaintances in common; and 2) short path lengths throughout the network between most pairs of actors. The network thus comprises densely interconnected local neighbourhoods otherwise known as cliques.

These cliques or distinct regions within the overarching network in which a set of actors forms a cohesive subgroup are characterized by: 1) closeness of subgroup members; 2) dense interconnection within the group; and 3) sparse connections outside the group (Baum et al., 2004: 314). Theorists have found that many industry networks are comprised of locally clustered cliques of densely interconnected organizations amidst a sparsely connected overall network (Gulati, 1999; Gulati & Gargiulo, 1999; Baum et al., 2004; Rowley et al., 2005: 499). Cliques also serve as an essential role in the dynamics of interfirm relationships (Rowley et al., 2005: 500). They are highly effective for communication and sharing of information across actors. This is based on a simple logic of seeking ties with heavily connected organizations (Barabasi & Albert, 1999; Baum et al., 2004: 319). Indeed, Baum et al. (2004: 322) found evidence of small world networks within the investment bank industry. He found that such networks were capable of rapid communication and information processing. Cliques also affect a firm's reputation because information about their behaviours easily diffuses across its dense connections. Essentially, the socially embedded economic exchanges seen in networks serve as a guarantee of fair dealing with, and prevent exploitation of partners (Uzzi, 1996; Rowley et al., 2005: 500). Given their attributes, cliques also provide organizations with access to economic transactions that would otherwise be unavailable.

Within small world network structures, the distribution of ties among actors is free of scale and highly skewed with a small number of actors having a disproportionately large number of ties (Baum et al., 2004: 308). This is in contrast to a random network where each actor has the same scale of ties,



resulting in a normal distribution (Baum et al., 2004: 309). Barabasi and Albert (1999) proposed that a skewed degree arises as actors accumulate new ties in proportion to the number they already have. This leads to a multiplicative process that yields power-law distribution. Such a network structure, whereby a small number of highly connected actors bind the interfirm network together, enables these highly connected players to gain power and control benefits associated with bridging the network (Burt, 1992). This in turn causes a rich-get-richer dynamic driven by preferential attachment (Baum et al., 2004: 309). Those located on the periphery of the clique instead have few ties but may be situated at valued brokerage positions on the sparse connections between their clique and other cliques within the network. As a result, actors located in such positions can control information flowing from one end of the field's network to another.

I propose that mimicry leading, in turn, to widespread diffusion of new niche practices within a field's network will occur: 1) at the local level, if the fringe player introducing the new practices is part of a clique within a small world network whereby social learning takes place; and 2) within the mainstream market, if the fringe player has access to a structural hole which enables it to control information flowing from niche to mainstream markets. Thus, mimicry of niche practices in the mainstream market will occur if the fringe player is in a position to promulgate information about their new practices.

#### 2.3.3.2.1.1 Local Market Diffusion

Firstly, at a local level, a small world network facilitates the diffusion of new niche practices through social learning, the observation and evaluation of the outcomes achieved by peers within a social network. Similar to Baum et al.'s findings in their study of Canadian investment banks (2004: 322), I propose that fringe players that are part of a clique in a small world network will be able to build familiarity, trust, and norms that promote information sharing and stability in inter-firm relationships. Through such cliques, fringe players can rely on third-party referrals from trusted partners to reinforce clique formation. These types of

relationships will mitigate uncertainty and allow a fringe player to vicariously benefit from the insight and experience of its peers (Granovetter, 1985; Kraatz, 1998: 638).

At the early stages of adoption, attributes associated with new practices normally involve economic and efficiency gains (Tolbert & Zucker, 1983; Levitt & Nass, 1989; Westphal, Gulati, & Shortell, 1997; Kondra & Hinings, 1998). It follows that trusting relationships within cliques allow organizations to learn about the gains achieved by early adopters of new practices which, in turn, facilitates diffusion of those practices. For instance, Davis (1991) found that the diffusion of innovations (i.e., the poison pill) occurred through direct interlock contacts. This suggests that social structure often acts as an important determinant of economic behaviour. Furthermore, evidence suggests that firms are more likely to donate to specific charities or political action committees if decision-makers have ties to leaders of other firms engaging in the same practices (Galaskiewicz & Wasserman, 1989). However, these social ties may facilitate efforts not only to match, but also to customize practices to the needs or opportunities facing their organizations (Westphal et al., 1997; Kondra & Hinings, 1998). Hence, it is through these cliques within compact, small world networks that social learning takes place. Network peers essentially will be able to learn about the benefits achieved with adoption of a new practice. This in turn will lead to the mimicry of that new practice within the clique.

Once peers imitate actors' local innovations, these innovations are thought to undergo a scale shift and become widespread within a field (McAdam et al., 2001; Rao et al., 2003: 819). In order for this scale shift to occur, mimicry of a new niche practice must happen beyond a fringe player's clique. In terms of mimicry occurring within other cliques in the niche market, I suggest that homophily (Rowley et al., 2005) will play a central role in facilitating the widespread adoption of new niche practices introduced by a fringe player at the local level.

According to homophily theory, partners with similar attributes are better able to create characteristic-based trust because there is a tendency for similar actors to be drawn to one another in organizational contexts. “Similar organizations receive comparable market information, pursue overlapping strategies, react to environmental conditions in like fashion, and thus have deeper insight into each other’s situations and behaviours” (Rowley et al., 2005: 502). One important dimension affecting this type of social comparison is size. Organizations of different sizes draw on different resources, employ different strategies and structures, and respond differently to environmental changes. Niche players are characteristically small in size. This similarity thus makes them comparable across multiple dimensions and enables them to relate to and share experience more effectively with one another (Rowley et al., 2005: 502). The mutual understanding resulting from social homophily will, in turn, build trust amongst niche players. It will also result in information sharing and social learning about the benefits associated with adopting new practices. In short, social homophily will make them more prone to copying one another’s practices (Haveman, 1993; Rowley et al., 2005). This in turn will lead to the widespread diffusion of those new, positively received niche practices at the local level.

#### 2.3.3.2.1.2 Mainstream Market Diffusion

Secondly, in contrast to local diffusion, the diffusion of new niche practices within the mainstream market will require the fringe player introducing the practice to be situated at an advantageous position within the small world network. The fringe player would have to occupy a position that would allow it to exploit information and resource flows across the network leaving poorly situated actors dependent on that fringe player (Burt, 1992; Rowley et al., 2005: 504). Essentially, fringe players introducing new niche practices must have access to a structural hole that is situated at a node that sparsely connects their clique with that of a clique within the mainstream market (also known as betweenness centrality).

Actors with access to structural holes, which provide a broad base of referrals and enhanced information collection, are able to better anticipate problems and explore new opportunities relative to the collective actors whose exchanges they mediate (Rowley et al., 2005: 504). Fringe players with access to such a hole will be able to promulgate their new niche practices toward prominent players within mainstream markets. For instance, such a position may provide the fringe player within the niche market with information on how to frame new practices they have developed in a manner that appeals to prominent players. Successful brokerage activity may result in prominent players recognizing the value of those new practices and subsequently adopting them.

In contrast, those entrepreneurial players situated at a central hub within a clique will not be able to gain widespread diffusion of new niche practices within a field. Although these players have more ties than those located on the periphery of a clique with betweenness centrality, they have connections only to those within their immediate network or clique. They will thus not be able to diffuse or receive valuable information that may help gain the attention, for instance, of prominent players within the mainstream markets. Furthermore, the large number of ties held by a player located at a central hub may constrain them to be more cooperative to the governance structure and norms of exchange within the clique (Rowley et al., 2005) than a player located at the periphery of the clique with betweenness centrality. As such, a player with fewer ties will be more likely to promote new niche practices that deviate from those within the clique because that player faces less risk (e.g., being sanctioned by other clique members) than those highly connected within the clique.

In short, I suggest that social learning, social homophily, and brokerage activity within the network will lead to early adopters educating or influencing other parties about the value of a new practice, increasing the legitimacy of that practice (Westphal et al., 1997; Kondra & Hinings, 1998). As practices diffuse they become objectified, or gain social consensus concerning their pragmatic

value (Suchman, 1995; Greenwood et al., 2002: 61), causing them to diffuse even further. This process will, in turn, lead to mimetic mechanisms that promote isomorphic change, first within the entrepreneur's local network and eventually throughout the rest of the field. If the niche entrepreneur succeeds, its brokerage activity may result in prominent players recognizing the value of a new practice and subsequently adopting it. This is particularly the case if the prominent players are already searching for a solution to field problems caused by a jolt or changing consumer preferences.

***Proposition 8:*** *New practices introduced by fringe players: a) belonging to a clique, and b) with access to a structural hole located between their own niche clique and one within the mainstream market are more likely to gain legitimacy within a mature organizational field than those introduced by entrepreneurs without such characteristics.*

#### *2.3.3.3 Adoption by Prominent Players*

Meyer and Rowan (1977) argue that efforts to profoundly change institutional environments can occur only through coercion. Prominent players may force immediate relational networks to adapt to their processes or attempt to build their goals and procedures in society as institutional rules. For instance, Meyer and Rowan (1977) claim that automobile producers created the demand for particular kinds of roads, transportation systems, and fuels that make the automobile a virtual necessity. This activity caused competitive forms of transportation to adapt to the existing relational context. Furthermore, they claim that school administrators often create new curricula or training programs in an attempt to validate them as legitimate innovations in educational theory. If successful, a new procedure can be perpetuated as being authoritatively required. In this manner, prominent players use their powers to establish themselves as central to the traditions of their societies in order to receive official protection or give competitors no other choice but to adapt to their standards. Because institutional change is expensive, powerful players who have the resources and have a strong interest in maintaining their power are ultimately seen as the sole means of bringing about "profound" change within the field (DiMaggio, 1988).

In sum, the reasons why one institutional form is chosen and another is not hinges on power and social structure (Rao, 1998).

Indeed, Leblebici et al.'s (1991) study illustrates how new practices became a widespread feature of the broadcast field after prominent players adopted them. New practices were eventually taken for granted as the density of organizations embodying the form increased. Furthermore, Sine and David's (2003) study of the electric power industry found that entrepreneurial opportunities to implement power generation alternatives depended upon persuading prominent actors of the weaknesses of taken-for-granted industrial structures and strategies and of potential opportunities to increase the effectiveness of the current system. This persuasion could then motivate powerful actors to engage in institutional reform (see also Haveman, 1993; Haunschild & Miner, 1997).

Following these arguments, I propose that the legitimization and widespread adoption of niche practices introduced by fringe players occurs when prominent players within the mainstream market of an organizational field endorse those practices. Endorsement involves either: 1) the adoption of new practices (e.g., use of practices), and/or 2) the acceptance of new practices (e.g., passing regulation specifying use of those practices by field players). In a mature field that was once stable but is now experiencing uncertainty, the vast majority of resources will remain in the hands of prominent players. This is due to the fact that these prominent players are unlikely to lose their privileged status or positions within social structures and networks, as illustrated in prior studies (e.g., Leblebici et al., 1991; Sine & David, 2003). Consequently, less powerful players introducing new niche practices need to partner with prominent players within the field, such as large firms and/or legitimate control agents (e.g., the state), to gain access to mainstream markets. Once these players are accepted by power holders as legitimate representatives of a point of view, they are likely to gain access to political resources and to influence the power holders' agenda (Rao et al., 2003).

Endorsement of a niche practice by prominent players may lead others to accept the new practice as a legitimate mainstream feature of the organizational field. This is the case given that legitimacy of a new practice in this chapter is primarily driven by the growing number of organizations adopting that practice. In the case of large firms, the adoption of a new niche practice may lead other players to mimic their actions in an attempt to achieve gains in terms of legitimacy. This type of adoption due to status imitation is based on the assumption that “organizations often choose to perpetuate institutional activities in anticipation of acquiring or sustaining a variety of specific benefits that are instrumental to success” (Oliver, 1992: 571). Benefits may include gaining organizational legitimacy and prestige (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Meyer & Scott, 1983; Oliver, 1990, 1991), accessing resources (Pfeffer & Salancik, 1978; Oliver, 1990, 1991), and gaining social support and approval (Meyer, Scott, & Deal, 1981).

This diffusion by imitation will, in turn, help build social consensus concerning the pragmatic value of the new niche practice and, consequently, lead to its further diffusion within the mainstream market (Tolbert & Zucker, 1996). Furthermore, adoption by prominent players may also lead to regulatory agency support since regulators tend to respond positively to most initiatives endorsed by prominent firms (Greenwood et al., 2002). In the case of control agents, the simple acceptance of a new practice may lead to its legitimation (Scott, 2001). For instance, this may be the case if a newly implemented regulation specifies that field participants have to use such a practice.

Once niche practices are widely accepted as appropriate and necessary components of an organizational field, thereby becoming mainstream, organizations are pressured by prominent field participants to incorporate these elements into their formal structures to maintain their legitimacy (Aldrich & Fiol, 1994). For instance, adoption by prominent players may lead to the enforcement of a new practice through legal or technological standards (Garud et al., 2002). Moreover, such activity may lead to bandwagon effects, that is, adoption not due

to individual assessment, but rather due to pressures caused by the number of organizations adopting it. Therefore, once these arrangements gain legitimacy, others imitate the arrangement and accept its value uncritically (Tolbert & Zucker, 1983; Leblebici et al., 1991). These pressures eventually lead to the widespread adoption of new practices. Consequently, these pressures will result in the re-stabilization and the sedimentation of a new logic associated with the new practice(s), within organizational fields.

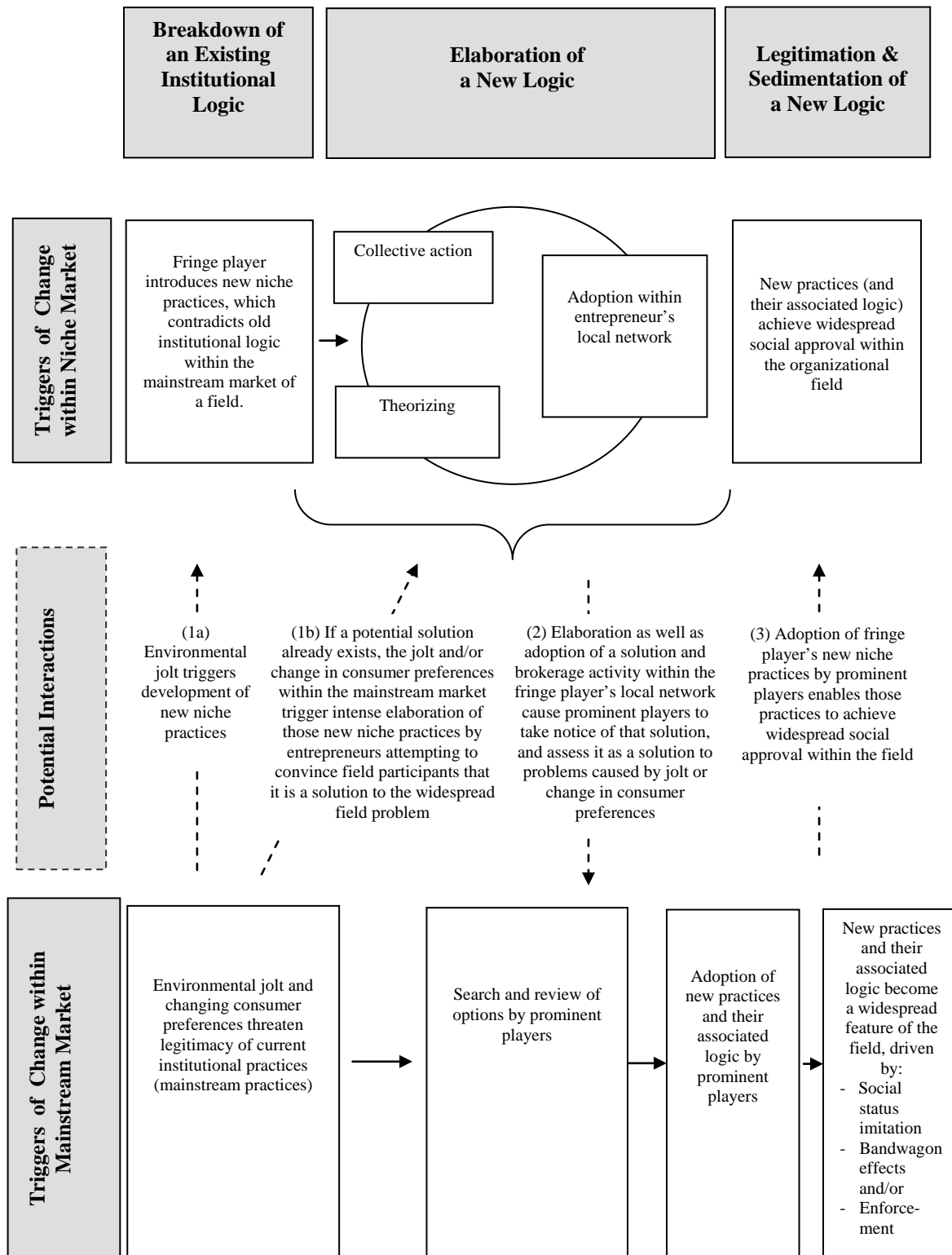
***Proposition 9:*** *Fringe players' new practices that are endorsed by prominent players are more likely to gain legitimacy within the mainstream market of a mature organizational field than those that are not endorsed by such players.*

## **2.4 Interactions between Entrepreneurial Activity and Institutional Change within an Evolved Field**

Few theorists have considered processes involved with the evolution of a mature field. In particular, few theorists have considered how organizational field actors' various roles and logics, as well as large-scale institutional change caused by environmental and societal forces, interact or influence one another during various phases of a field's evolution. Figure 2.2 illustrates the interactions between entrepreneurial, societal, and environmental forces which trigger change within an organizational field. This framework represents an integrative model of the propositions described within this chapter. As such, it describes how entrepreneurial action within a niche market interacts with large-scale institutional change. The evolution is described in three stages: 1) the breakdown of an institutional logic, 2) the elaboration of a new logic, and 3) the legitimation and sedimentation of a new logic. Each stage will be further elaborated on within this section using examples from the wine, coffee, and broadcasting industries, demonstrating in turn how these industries went through the three stages of evolution



**Figure 2.2: Interactions between Entrepreneurial, Environmental, and Societal Forces of Change within Niche and Mainstream Markets of an Evolving Field**



#### ***2.4.1 Stage One: Breakdown of an Existing Institutional Logic***

In the first stage, the breakdown of an institutional logic (mainstream) is triggered by the combination of entrepreneurial actions occurring within niche markets, which create contradictions with the mainstream logic, and environmental and societal forces. These contradictions threaten the mainstream logic's very legitimacy (Figure 2.2). The breakdown of a prevailing logic can occur in two ways. First, fringe players may use different practices than those that are already legitimized because: 1) they believe that the new practices are better suited to meet technical, consumer, or efficiency demands; 2) they are not well served by present social arrangements and, therefore, want to change the practices (Seo & Creed, 2002); and/or 3) they do not have access to existing practices due to a lack of power and resources within the mainstream market of a field.

In a Canadian example, many small estate wineries such as Hillebrand and Inniskillin from the mid 1970s and 1980s chose not to emulate the big wineries that were producing large quantities of poor quality table wine. The wines were considered to be of poor quality at the time because they were made with lower quality indigenous grapes. Moreover, they contained sugar, water, and colorants to mask the taste of the indigenous grapes. The small entrepreneurs decided to produce premium quality wines made from locally grown grapes. They believed that there was a demand for such wine because of the growing number of European immigrants who came to Canada from the 1950s and 1960s. These immigrants were accustomed to drinking European wines made from higher quality vine stocks such as Merlot. At the time, Canadian wines were largely made from imported content mixed with lower quality indigenous grapes (i.e., Labruscan grapes). The production of wine made with higher quality European vinifera grown in Canada represents a new logic within the field. The production of bottled wine using imported content represents the prevailing logic within the field (see Figure 2.2, Interaction 1a). Eventually, the new practices and logic were enshrined in the Vintners Quality Alliance (VQA), an appellation and quality

standard, which Ontario wines tried to meet. This system was developed by the estate wineries in Ontario and was run by a self-governed body at the time (Mielzynski-Zychlinski, 2001).

During the late 1970s, producing 100% domestic wine using higher quality grapes was not seen as an appropriate, desirable, or legitimate practice for the majority of organizational field participants. Prominent players such as the large wine producers and grape growers did not want to invest in growing higher quality grapes. This was because, first of all, the Canadian wine industry, made up mainly of large players, did not believe that Ontario wine regions could successfully produce European vine stocks. Moreover, past attempts to produce 100% domestic wine using higher quality grapes by large players within the region had failed to gain popularity. An example of this is the production of Canada's first Chardonnay by Bright's Winery's viticulture research station in 1955. This failure may have discouraged other wineries from doing the same. Second, the grape growers did not want to change to grow European-type hybrid vines because the low quality Labrusca grapes that they were growing at the time had high yields and were easier to produce. At the same time, the growers did not want to give up the government assistance they were receiving. The Ontario government would buy any Labrusca grapes that they could not sell (Mielzynski-Zychlinski, 2001). Hence, the prevailing logic associated with using lower quality domestic grapes was well entrenched in the Ontario wine industry at that time.

Similarly, the beginnings of the coffee specialty industry can be traced back to an entrepreneur who did not follow institutional norms. Alfred Peet, who founded Peet's Coffee and Tea Company in 1966, decided not to follow the large commercial roasters (Maxwell House, Folgers, and Nestlé) who, in the late 1960s, developed coffee blends with a high percentage of relatively cheap Robusta beans to keep costs low. Instead, Peet targeted a small number of consumers interested in a higher quality freshly roasted coffee. He produced a blend that differed from

the big three commercial companies' medium blends in that his was darker and used a higher quality bean (Rindova & Fombrun, 2001).

Peet's practices were not perceived to be appropriate, desirable or, therefore, legitimate to most players in the industry who instead competed for market share by cutting prices. In the meantime, the lack of legitimacy made it difficult for specialty coffee makers to attain resources. For instance, they were unable to gain access to coffee types that were reserved for the European and Japanese markets from suppliers. It was only later, once they had proven their ability to attract consumer demand for coffee at a premium price, that they were able to effectively claim a larger share of the resources that flowed into the industry. In a later period (1983), during a visit to Italy, Starbucks Coffee Company's CEO, Howard Schulz, was inspired to further improve the specialty coffee industry's services by developing a coffee bar in Seattle that offered specialty coffee beverages (i.e., cappuccino). By emulating the coffee bar practices used within a more prestigious field, Schulz enabled Starbucks to eventually expand its product mix with higher-margin products by focusing on varieties of beverages rather than just on coffee beans (Rindova & Fombrun, 2001).

In sum, the fringe players in both the wine and coffee industries developed practices that contradicted those of the institutional environment but did not necessarily disrupt them on a large scale. Instead, these players developed new practices that catered to a niche that was not well served within the industry. Leblebici et al. (1991) refer to these practices as conventions that introduce new patterns of transactions and define new resources for achievement at the micro level. However, to take this view one step further, the fringe players in fact began to create a new logic associated with their practices that co-existed with the old logic. The estate wineries in the Canadian wine industry showed, for example, that there is room in the organizational field for producers of both 100% domestic wines and bottled wine or wine made with imported content.

However, in order for fringe players to influence large-scale institutional change, and for the majority of field participants to adopt their practices, the practices must be seen as solutions to mainstream institutional constituents. Otherwise, players will be unlikely to change practices since they may alienate constituents (e.g., suppliers) or lose money in their conventional investments. Therefore, large-scale change can only occur if something threatens the more widespread, legitimized practices and logic within a field, causing most participants to rethink the threatened practices and create a need for solutions to the new threat.

An environmental jolt such as social reform or political changes (e.g., regulatory changes), as well as changing consumer preferences, may be included as forces which might cause participants within a field to consider new practices as solutions. For instance, the Free Trade Agreement (FTA) between Canada and the United States passed in the late 1980s threatened the legitimacy of practices involved in producing high-quantity, rather than high-quality, wines. The Agreement resulted in a competition between Canadian wines and the higher-quality American ones being sold at lower margins at the liquor boards. This affected many prominent players, including the national and provincial governments, as well as large firms, causing them to rethink their wine production practices (Mielzynski-Zychlinski, 2001). As mentioned, in the case of the coffee industry, changing consumer preferences caused prominent players to question their old institutional practices and their embodied logic. In short, after an environmental jolt, or a large-scale change in consumer preferences occurs, fringe players obtain the opportunity to promote their new practices as potential solutions to mainstream institutional problems created by that jolt or societal change (see Figure 2.2, Interaction 1b).

A second way in which the breakdown of institutionalized logics can happen is when the sequence of events is reversed. In this case, an environmental jolt may provoke fringe players to develop new solutions to institutional problems

created by the jolt in an effort to realize value from their activity (see Figure 2.2, Interaction 1a). For instance, when the Federal Communications Commission (FCC) in the U.S. relaxed its technical standards for local stations so that small towns that used to rely on distant stations could have their own local ones, fringe players, in the form of small independent radio stations, developed new conventions that differed from institutionalized practices. The prevailing practices involved nationally-based advertising and programs. The small entrepreneurs instead developed specialized network programming tailored to local listeners and record sales promotions through airplay in which the latest hits were provided free by record companies in return for the publicity (Leblebici et al., 1991). Hence, the jolt stimulates fringe players to create a new logic that co-exists with the old. Subsequently, these solutions and their associated logics compete with one another to become a dominant feature of the field.

#### ***2.4.2 Stage Two: Elaboration of a New Logic***

In the elaboration stage, fringe players elaborate on their potential solutions in order to convince others within both niche and mainstream markets to adopt their new practices. This may be in response to an environmental crisis or societal change. These players may do so in order to realize economic value. Elaboration is conducted mainly through collective action and theorizing. For instance, regular meetings were held amongst estate wineries in Ontario in order to find ways to persuade owners of large wineries to adopt a self-policing set of regulations for implementing quality standards of wines. One way they did so was by framing the need for adoption as a moral obligation. They stated that public perception of quality-wines was being undermined by the poor image of the mass-produced wines being bottled by the larger wineries. The Government of Ontario was also lobbied to look seriously at their proposal. The development of the VQA could also be perceived as a means of intense elaboration which occurred in response to the FTA. For instance, the estate wineries used the new standard to frame their 100% domestic wines in a way that would draw the attention of prominent players (e.g., government and large wineries) seeking

solutions to competitiveness problems caused by the FTA (see Figure 2.2, Interaction 1b) (Mielzynski-Zychlinski, 2001).

Similarly, entrepreneurs carved a niche in the coffee industry by communicating specialty coffee knowledge to consumer coffee brokers, coffee growers, and each other. Peet, himself, made considerable efforts to establish his practice as a standard by training the original founders of Starbucks to roast coffee beans when they requested that he supply coffee to their newly opened stores in Seattle (Rindova & Fombrun, 2001: 245). The specialty coffee makers also formed an association in 1989 to promote standards and awareness of specialty coffee. These organizations did not enter the industry with radical innovations, but rather made adjustments in their product characteristics as they learned from each other and from customers. Much like entrepreneurs in the wine industry, the specialty coffee makers framed their cause as one which was required to satisfy consumer needs. First, they emphasized their quality coffee beans and brewing practices. Later, they did so by emphasizing their sophisticated beverages and coffee bar ambiance.

After observing the benefits gained by early adopters of new practices introduced by their peers, organizations within the entrepreneur's local network will adopt or, mimic those practices. For example, suppliers of quality varietals to the original estate wineries in Ontario, after observing the success of their peers (e.g., Hillebrand), opened their own wineries in the late 1980s to develop 100% domestic wines using higher quality grapes (Mielzynski-Zychlinski, 2001). Several key firms in the specialty coffee industry, such as Starbucks (1971, Seattle) and the Coffee Connection (1974, Boston), were founded under the influence of Alfred Peet (Rindova & Fombrun, 2001: 245). These organizations closely followed his bean selection, blending, roasting, and delivery practices.

The adoption of new practices within an entrepreneur's local network can occur simultaneously alongside other elaboration processes. These elaboration

processes will simultaneously reinforce each other. In the late 1980s, multiple new estate wineries provided more support as a collective body through the VQA. The new entrants lobbied the government to establish clearer labelling practices indicating appellation and strict winemaking standards to consumers (Mielzynski-Zychlinski, 2001). In the coffee industry, informal networks and an association were created to promote standards and protect the reputation of the niche at a time when the levels of growth attracted a large number of entrepreneurs that had not been socialized into the industry, nor trained as specialty coffee producers (Rindova & Fombrun, 2001: 257).

#### ***2.4.3 Stage Three: Legitimation and Sedimentation of a New Logic***

In the legitimation and sedimentation stage, the elaboration activity and increased adoption of a particular solution within an entrepreneur's local network may eventually cause powerful players to take notice of the solution (Figure 2.2, see Interaction 2). This is particularly the case when prominent players are already seeking a solution to institutional problems created by environmental and societal forces of change.

Subsequently, if the fringe player's practices are perceived as a viable solution, prominent players will accept the new practices as legitimate features of the organizational field and will adopt them. For instance, contrary to the general belief in the broadcasting industry that TV would make radio obsolete within the US during the 1950s and 1960s, the new stations' practices which catered to local listeners tastes cut operating costs drastically and made local broadcasting economically feasible without (as required previously) network support (Leblebici et al., 1991: 356). As a result, the local stations won back both the regional and national advertisers who had defected to TV.

Similarly, after the FTA was passed, the VQA became formally recognized and thus endorsed by the Ontario government during the late 1980s. What may have facilitated this recognition was the government's realization that



the VQA would enable Canadian wines to compete with the high-quality American wines. The formal recognition of the VQA by the Ontario government may have enabled the standard to gain widespread social approval within the Canadian wine industry (Figure 2.2, see Interaction 3). The VQA is now run by a board of directors consisting of volunteers from the wineries, grape growers, the Liquor Control Board of Ontario, and research institutes. Furthermore, larger wineries have since started producing wines to VQA standards to ensure that their wineries obtain recognition (Mielzynski-Zychlinski, 2001: 86).

I suggest that an entrepreneur must nevertheless have the ability to play the role of a broker between collective actors in the niche and mainstream markets. In so doing, the entrepreneur will develop strategies that will help disseminate information about their niche practices to mainstream, prominent players. For instance, the president of the estate winery Hillebrand, John Swan, as a member of the Ontario Wine Council had solid connections with the Ontario government (prominent, mainstream player). It was through these connections that he was made aware in the mid 1980s of the potential problems the wine industry faced if the FTA was to be implemented. As such, he turned his attention to increasing production and developing ways (e.g., labels) of informing consumers about the quality of their products. He also portrayed a positive attitude about the FTA to the public by writing newspaper articles and performing interviews on television. Through these means, he communicated Hillebrand's primary objective to help Ontario become recognized as a world-class wine producing region which would become as well respected as Bordeaux and Burgundy. He also urged his fellow wineries to focus on the same objective. Essentially, he portrayed the production of quality wines and use of premium varieties (his firm's niche practices) as the answer to any questions mainstream field participants had about the Canadian wine industry's ability to compete with the American wine industry. Apparently, his positive attitude did not go unnoticed by the government, as witnessed in a letter of thanks from then external affairs minister, John Crosbie (Mielzynski-Zychlinski, 2001).

Adoption of new practices by prominent players may also result in the acceptance of the fringe player who introduced those practices as a central player in the industry. For instance, Starbucks, a once local specialty coffee producer, has now become central in the coffee industry (Rindova & Fombrun, 2001). Re-stabilization can occur not only from the transition of one dominant logic to another as portrayed by Leblebici et al. (1991) in the broadcasting industry, but also through the formation of a new set of logics consisting of a mixture of old and new logics. For instance, in the Ontario wine industry, the large wineries to this day produce only a small quantity of 100% domestic wines, as compared to their total production volumes (Mielzynski-Zychlinski, 2001: 86).

This type of hybridization of practices may be explained by prominent players' lack of desire to venture too far into small niche markets and their preference to focus instead on those emerging niche practices that do not differ radically from those of their traditional consumer bases (Carroll & Swaminathan, 2000: 727). For instance, it is possible that large players within the wine industry are still profiting from producing bottled wines made with imported content. Furthermore, there may still be a market for bottled wines that are sold for much less than 100% domestic wine. This is due to the lower production costs involved with bottling wine versus producing 100% domestic wine in a cold climate region. Hence, they will adopt new practices to a small extent, but not let go of old ones. When the practices do overlap, prominent players often meet and surpass many niche market practices in terms of technical dimensions such as quality (Carroll & Swaminathan, 2000: 727). In short, the blending of two logics occurred in these industries. Hence, in an evolving field, old logics do not have to disappear, and thus complete de-institutionalization does not have to occur. Instead, organizations may combine old and new practices associated with old and new logics to construct new hybrid lines of action.

In the broadcasting industry, during a later period than the one described in Leblebici et al.'s (1991) study, Clear Channel, a large U.S. media company which owns 1,202 radio stations in 49 states (Pulley, 2004), emerged with a

business model that combined the scale of economies of a national chain with the appeal of local content. This demonstrates in turn how an old logic associated with national wide broadcasting did not necessarily disappear in the broadcasting field. For instance, Clear Channel fired many on-air personalities and replaced them with voice tracking, which allows a single host to do shows in several cities without ever leaving the home studio. Although listeners believe that the shows are local broadcasts, they have nonetheless become very popular (Pulley, 2004). Like the wine and coffee industries, Clear Channel's actions may be an indication that an old logic does not necessarily disappear through replacement but becomes part of the new dominant set of logics.

Eventually, sedimentation of a new logic associated with new solutions occurs if the solutions achieve widespread diffusion. This widespread adoption could happen through: 1) social status imitation of prominent players by smaller players within the mainstream market, which do so because legitimacy gains are seen as likely to result; 2) bandwagon effects which occur when players adopt a solution not because of their individual assessments of the innovation's benefits but due to pressure caused by the sheer number of players using that solution; and/or 3) enforcement (e.g., regulations) specifying that players have to use a certain solution.

Furthermore, new practices become disassociated from the entrepreneur that introduced it to the field. As such, the product, standard, or membership rule is no longer only produced, used, or endorsed by the fringe player and its peers to serve niche markets. For instance, 100% domestic wine and mixed coffee beverages, which were once solely produced by small, niche entrepreneurial players, are now produced by most players in the fields. New practices can also become disassociated from the fringe player that introduced them if the rights to the niche practices are bought by a prominent player.

In sum, throughout these three stages, various logics co-exist. Different logics associated with different practices used by fringe players to serve niche

markets and prominent players to serve mainstream markets coexist within the field. The sedimentation of a new logic will depend on the various interactions and activities occurring at the entrepreneurial and organizational field level. The process is specifically portrayed as one in which happenings at the organizational field level (i.e., environmental jolts) bring entrepreneurial level happenings (fringe players' practices which contradict prevailing institutional practices) to the attention of prominent players and/or provoke fringe players to develop a new logic which, in turn, de-stabilizes the field. Re-stabilization occurs through the intense elaboration of practices by fringe players and the legitimation of those practices first throughout the fringe player's local network, and then throughout the field. This action in turn may re-stabilize a field defined by a new set of logics consisting of a combination of old and new logics, or the replacement of the old logic with a new logic.

## **2.5 Discussion**

### ***2.5.1 Insights into Organizational Field Evolution***

Theorists currently recognize a need for more research on the processes involved with institutional change (Tolbert & Zucker, 1996; Hoffman, 1999; Dacin, Goodstein, & Scott, 2002). In particular, they suggest that the processes by which institutions are formed and reformed have been largely ignored (Holm, 1995; Hoffman, 1999). Following this claim, this chapter focuses on the role of strategic action and institutional change in the emergence and diffusion of new practices within evolving fields. Evolving fields are fields that experience what is described in this chapter as de-stabilization (breakdown of an existing logic) and re-stabilization (sedimentation of a new logic).

Entrepreneurs' role in facilitating change has just begun to be explored, with most studies acknowledging them as the primary source of new practices (Leblebici et al., 1991; Seo & Creed, 2002; Sine & David, 2003). Unlike most institutional work, this chapter emphasizes fringe players' role in introducing and

elaborating new practices. As institutional entrepreneurs existing outside of mainstream markets, fringe players are free to introduce radical, new practices to serve non-traditional consumers because they have “little to lose.” Their lack of interconnectivity with prominent players and lack of investment in conventional methods and structures consequently resulting from serving more specialized, niche markets leaves them at low risk of being sanctioned by powerful players or of losing investments by experimenting with new innovations. On the contrary, these new innovations may eventually enable fringe players to become central in the organizational field.

Few theorists have explored processes involved with and general stages of an evolving field. The conceptual frameworks presented in this chapter attempt to respond to these questions by looking at niche market logics’ influence on the mainstream markets of mature organizational fields. The first framework proposes de-stabilizing and re-stabilizing forces that facilitate change within a mature organizational field. By considering the case of niche market logic spillover to the mainstream portion of a field, the integrative framework seeks to capture a holistic view of how institutional contexts, such as power structures, societal changes, and environmental pressures, combine with entrepreneurial behaviour in order to facilitate institutional change. In doing so, the integrative framework presents entrepreneurs as institutionally embedded agents. The proposed framework illustrates how entrepreneurs embark on a journey that involves convincing others, particularly prominent players, to adopt their new practices and launch their new practices at an appropriate time. These field experiences ultimately represent processes “characterized by a struggle between an ‘old guard’ dedicated” to controlling change in a way that is necessary in order to safeguard their position, and “a ‘new guard’ interested in taking advantage of the situation to transform the field” (Maguire et al., 2004: 675). Together these actors co-exist and interact to facilitate change within a field. The framework emphasizes the interdependence and co-existence of different institutional logics,

external pressures, and types of agency in facilitating the evolution of institutional arrangements.

### ***2.5.2 Limitations***

By emphasizing the role of fringe players as instigators of institutional change, this model focuses on institutional participants whose interests are not well served in the existing institutional arrangements (Seo & Creed, 2002: 204). As such, this chapter de-emphasizes prominent players as innovators, and excludes modifications that do not involve the underlying principles of institutional logics. However, in the face of challenge, prominent players will be active in the reproduction and maintenance of current social arrangements from which they benefit (Seo & Creed, 2002: 241). Therefore, the framework suggests that fundamental institutional change will occur only when prominent players believe that they will no longer benefit when using only current institutional arrangements. Hence, they will be less likely to challenge new practices and instead be more open to them. This chapter also deemphasizes entrepreneurial activity taken by other types of actors in a mature field.

Secondly, the frameworks present a view of the dynamics involved with the institutional change processes and various constellations of logics existing in a case when niche market logics spillover to become mainstream. Therefore, they do not present a comprehensive view of the interactions and various logics that exist and take place within a mature organizational field. For instance, the frameworks do not specify how all logics within a field compete or interact in order to stabilize it. Instead, it focuses on how a logic associated with practices developed by fringe players serving a niche market and institutionalized practices under threat may interact to re-stabilize a field.

Finally, the framework assumes that certain institutional arrangements are already established such that participants are embedded in current institutional logics (Seo & Creed, 2002: 241). Therefore, this framework is more applicable to

mature organizational fields rather than to newly emerging, fast paced, or faddish organizational fields, whereby institutional logics and social structures are not stable.

### ***2.5.3 Contributions***

Firstly, this chapter presents an integrative model of institutional change. It describes change as involving de-stabilization and re-stabilization of an organizational field emphasizing co-existing logics within the field rather than the replacement of one dominant logic with another. In contrast to de-institutionalization, de-stabilization refers to the weakening or questioning of an old logic caused, for instance, by an environmental jolt rather than the disappearance of that old logic. Re-stabilization refers to the alternation of interactions and power balances within a focal field. Thus, unlike re-institutionalization, it does not solely involve the institutionalization of a new dominant logic.

De-stabilizing and re-stabilizing forces are described within the model as facilitating change within an organizational field. The framework proposes fringe players' practices (and their embodied logic) that contradict a prevailing institutional logic, environmental jolts, and changing consumer preferences as de-stabilizing forces. And, it portrays theorizing and collective action mobilized by the entrepreneur who is introducing new practices, mechanisms - namely, social learning, homophily, and brokerage activity within the entrepreneur's small world network, and coercive action on the part of prominent players within the industry, as re-stabilizing forces. Unlike past literature (e.g., Leblebici et al., 1991), this chapter presents a more detailed framework of processes involved with the evolution of an organizational field by, for instance, 1) proposing where and how players attain ideas for new practices (i.e., from other prestigious fields); 2) outlining how fringe players elaborate on their new practices in order to gain widespread diffusion of those practices within a field; 3) outlining the roles that learning, homophily, and brokerage activity play within a network in re-

stabilizing a field; 4) acknowledging other forces besides jolts (changing consumer preferences) as facilitating de-stabilization; and 5) integrating institutional and network perspectives.

Secondly, unlike most studies addressing origins of change, this chapter acknowledges fringe players' role in instigating institutional change. This follows Seo and Creed's (2002: 241) suggestion that more research on marginalized social actors, whose interests are misaligned with the current logic, is required to challenge mainstream organizational theories. This is because mainstream organizational theories have traditionally paid more attention to centralized players who, from a resource dependence perspective, are more powerful.

In particular, niche practices and their embodied market logic's influence on mainstream or more dominant logics within the field was considered in a more systematic manner than is found in past literature. This responds to theorists' exhortations to consider niche market activity as a force which destabilizes a field by increasing market diversity as organizations utilize specialized practices to respond to market changes (Swaminathan, 1995). It also provides a more detailed framework regarding the re-stabilization of a field involving logics originating from niche market practices. Furthermore, unlike past literature (Carroll & Swaminathan, 2000), this chapter does not focus on the proliferation and maintenance of boundaries between niche (specialized) and mainstream (generalized) markets, instead it considers the spillover of niche logics' into mainstream markets. This chapter also offers a perspective on niche and mainstream markets which to some extent differs from the more popular organizational ecologist view (Swaminathan, 1995; Carroll & Swaminathan, 2000). It not only considers how norms change and become legitimized with rises in density of forms and practices, but also considers legitimization on the basis of professional appropriateness and anticipated economic outcomes.



Thirdly, the frameworks presented in this chapter touch upon different levels of analysis: the organization, the market, and the field. As such, it provides insight into how the different levels are involved and/or interact within an evolving field. Extensions of the frameworks presented in this chapter would entail performing cross-modelling of the levels involved in the evolution of a field.

Finally, the chapter presents a detailed framework of institutional change within a mature organizational field that illustrates the dynamic processes and relationships involved with stakeholder action and institutional change. In particular, it addresses why fringe players facilitate change and organizational field members' openness to a logic that has not previously been embedded into institutionalized arrangements. This chapter as such addresses the need to develop models capturing the dynamics and historical relationships that embed organizations (Seo & Creed, 2002). As Fligstein (1997) suggests, the social skills of entrepreneurs considered in this chapter involve organizing collective action, and framing the meanings and means of action. Furthermore, it considers institutional embeddedness in terms of factors such as the environmental jolts and changing consumer preferences which cause field participants' willingness to unlearn current institutional logics. Ultimately, this chapter provides one view on how the process involved in legitimizing small players' new practices can be researched.

As presented in this chapter, a promising field in which to study how small players change a mature field is the Canadian wine industry. The next chapter provides an overview of the Canadian wine field.

### **3.0 RESEARCH SITE BACKGROUND**

#### **3.1 Introduction**

The Canadian wine industry is a promising field in which to study the emergence and diffusion of small players' practices. With specialty products introduced by small players such as icewine and Vintners Quality Alliance (VQA) wines, Canadian wine is increasingly gaining the attention of consumers in Canada and around the world. Annual per capita consumption of domestic wines in Canada grew from 11.3 to 14.6 litres from 2000 to 2007, implying a total domestic market consumption of 470 million litres in 2007 (Agriculture and Agri-Food Canada, 2009: 4). In Ontario, VQA wine sales "more than tripled, growing from 2.5 million litres in the 1996 to 1997 fiscal year to 9.9 million litres, or almost \$2 billion in retail sales, in the 2006 to 2007 fiscal year" (Agriculture and Agri-Food Canada, 2009: 5). Although still relatively small<sup>6</sup>, the Canadian wine industry is growing at a remarkable rate. The industry had the eleventh highest growth rate among the 215 industry groups between 1997 and 2005. During this period, the industry grew at an average annual rate of 7.1%, more than double the rate of growth of 3.0% for the nation as a whole (Hope-Ross, 2006: 6). Furthermore, new wineries are being established at a rapid rate across the country. For example, the number of wineries in British Columbia (BC) grew from 35 in 1994 to 135 in 2006 (Schreiner, 2006). Exports of Canadian wines increased from \$1.3 million in 1992/1993 to \$116.0 million in 2001/2002 (64% a year). The most important export markets driving demand for Canadian wine exports are the United States and Taiwan (Hope-Ross, 2006). East Asia is the primary purchaser of Canada's icewine exports, which totaled \$11.6 million in 2007 (Agriculture and Agri-Food Canada, 2009).

The main wine regions in Canada are in Ontario and BC. Ontario is the largest of the wine regions with 7,100 hectares, comprising about 80 percent of

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<sup>6</sup> The industry accounts for 0.03% of the economy-wide gross domestic product in 2005.

Canada's growing region. BC is the second largest with 2100 hectares. The third largest is Quebec. The Quebec region is the most challenging given its short growing season and cold winters. As a result, mainly hardier French or Minnesota hybrid varieties are grown there (Schreiner, 2006). Other wine growing and producing regions include New Brunswick and Nova Scotia, and to a lesser extent for grape wineries, Prince Edward Island and Newfoundland.

The two major grape growing regions in Canada, the Niagara peninsula in Ontario and the Okanagan Valley in BC, have become popular tourist attractions. Industry experts expect wine and culinary tourism to grow by 50% in Ontario and BC between 2005 and 2015 (Agriculture and Agri-Food Canada, 2009: 5). This chapter will focus on Ontario and BC since most of the qualitative and quantitative data in this thesis are from Ontario and BC.

### **3.2 Early Canadian Winemaking History: Beginnings of a Wine Industry in Canada**

In Canada, Johann Schiller was the first to plant grapes expressly for winemaking. He had had previous experience in winemaking from his native land of Germany. By 1811, he had domesticated wild *Labrusca* vines and grew American hybrids along the Credit River in what is now known as Mississauga. Schiller, who is known as the father of Canadian wine, made enough wine to satisfy his own needs and that of his neighbours (Aspler, 2006: 129). In 1864, a French Aristocrat, Count Justin M. de Courtenay, doubled the size of the Schiller vineyard and resurrected Schiller's enterprise as Vine Growers Association. His label, Clair House, became the biggest brand in Canada (Aspler, 2006: 130).

The first growers grew grapes to service the fresh fruit trade. One hardy grape variety grown was Concord. This grape was mainly used to make juice and jellies. This variety, however, along with its *Labruscan* kin, made dreadful wine. The reason for this is that when it is fermented, it concentrates a natural compound that gives it what wine writers describe as a 'foxy' or musky odour. As

a result, many winemakers at the time added sugar, water and colouring agents to wines made with these varieties (Aspler, 2006: 130). Because it was easy to grow and it had high yields, it was the main grape grown in Ontario up to the 1940s. The Concord grape was also the major component in popular wines such as Baby Duck up until the 1970s. In the 1860s, most of the winemaking operations in Ontario were smaller volume enterprises. In 1866, a group of men from Kentucky purchased a farm on Pelee Island. They planted and sold grapes as well as made wine for a grocery store. This winery, named Vin Villa, was the first commercial winery in Canada. By 1890, there were thirty-five commercial wineries in Canada, including Barnes (founded in the Niagara region) and Brights (founded in Toronto) (Aspler, 2006: 132-133).

In BC, it was a French Oblate priest, Charles Pandosy, who first planted grapes in the Okanagan Valley in 1859 (Schreiner, 2006: 142). However, there is no evidence that the wine made from the grapes was sold. The first grape vineyards were planted in 1928 by a horticulturist named J.W. Hughes, near Kelowna. The wine company, Growers, negotiated the first grape purchase contract with J.W. Hughes in 1932 (Schreiner, 2006: 142). The BC wine industry started in the late 1920s with early growers principally growing Labruscan grapes.

In Quebec, the first wines were made by the French colonists for sacramental purposes when their supply from Europe ran out (Schreiner, 2006). This practice, however, stopped once the English took over the colony. Throughout the 1800s, sporadic trials were undertaken time and again to grow grapes. These trials were normally conducted by French immigrants who were curious to see whether vines would grow in Quebec. In 1935, a French biologist began testing wines in Oka. Although the vines did well, the experiment was interrupted by the biologist's departure from the agricultural school he taught at in Oka. At the time of this experiment, the only winery in Quebec was a subsidiary owned by Brights, which mainly blended and stored Ontario-made fortified wines (Schreiner, 2006: 221).

After the Second World War, a small home winemaking boom was started in Quebec, for the most part, by Italian immigrants. They started wineries which imported grapes from California to use for winemaking. The first immigrant to do so was Vincent Geloso who started to import grapes for home winemaking in 1961. In 1970, Geloso helped sponsor a viticulture trial at MacDonald College in the suburbs of Montreal. However, the Italian vinifera and French hybrids planted by the college did not flourish. At the same time, a trial planting was supported by a winery, Les Vignobles Chantecler, near Rougemont, Quebec. However, this winery eventually ran into financial problems (Schreiner, 2006: 221).

The first commercial winery to open in the Atlantic region was the fruit winery, Chipman Wines, in the 1930s. In 1983 – a year or two prior to its closing - the winery began to expand into bottling bulk grape wines. The Chipman brands were eventually purchased by Andrés. Andrés already had a plant located in Truro, Nova Scotia, which opened in 1965. This plant was used primarily to bottle wine imported from Ontario (Schreiner, 2006: 251).

### ***3.2.1 History of Practices***

Prior to the 1970s, most of the wineries that existed were large mass-producers that made lower quality wines made from Labruscan and French hybrid grapes (Schreiner, 2006). For instance, the single largest selling wine in the 1960s was Baby Duck, a low-alcohol sparkling wine made with a Concord base (indigenous grape). In the 1950s and 1960s, wine law was so lax that hybrid varieties used to make wine were labelled as the higher quality European vinifera grapes (e.g., Chardonnay) (Phillips, 2006).

In the 1960s and 1970s, the major thrust of the commercial wineries was to blend off-shore wines with their locally grown product, a practice that was later legitimized by provincial regulations, such as the Ontario Wine Content Act of 1972 (Aspler, 2006: 134). Schreiner (2009) claims that Ontario wineries began importing grapes in the 1920s from New York. In BC, when winery expansion

after World War II led to a shortage of grapes, the government allowed wineries to import grapes, provided the wineries supported vineyard development (Schreiner, 2009). During the 1960s and 1970s, wineries found it more economical to import grapes rather than make larger investments required to improve domestic viticulture.

In the 1970s, consumers began to show a preference for European style wines (Schreiner, 2006). Making European style wines from domestic grapes was a challenge for Canadian wineries given that the grapes were not grown well enough and were ill-suited for the making of such wines. This was compounded by the fact that grape marketing boards in both Ontario and BC could force wineries to buy all the grapes regardless of their quality (Schreiner, 2009). Efforts to grow *vinifera* grapes in Ontario and BC were haphazard and not seen as legitimate. The trial plantings, which were done at government research vineyards in Ontario, failed. Researchers such as the Horticultural Research Station in Vineland, Ontario (founded in 1905) consequently warned growers against growing *vinifera* varieties. They essentially claimed that *vinifera* could not survive the harsh Canadian winters (Schreiner, 2006; Aspler, 2006: 134). In the Niagara region, for instance, *Vitis vinifera* varieties “imported in the 1940s and 1950s met with limited success for various reasons” which included “winter injury, diseases, and poor rootstock selection” (Shaw, 2005: 90).

In BC, the prevailing view was that *Vitis vinifera* would also not survive the winters in such areas as the Okanagan Valley. The federal government’s research station in Summerland dropped *vinifera* grapes from its intermittent grape growing trials (trials launched in 1928) “due to perceived lack of winter hardiness” (Schreiner, 2006: 142). By 1936, this station tested close to 150 grapes including such varieties as Concord and Warden. The program ended in 1948 due to a lack of interest in the industry. Schreiner (2006: 142) claims that this was not surprising given that the wineries existing at that time did not focus on making grape wines. The Summerland research station resumed its trials in

1957. However, this time it avoided vinifera in favour of hybrids “imported from France by the Ontario’s Horticultural Research Institute” (Schreiner, 2006: 143). These grape trials were resumed due to new winery openings in BC during the late 1950s.

In order to satisfy consumers’ palettes for European style wines and, ultimately, survive, the wineries thus imported grapes and bulk wine from the United States. This imported content was often blended with domestic wine in order to make wines that better suited consumer palettes. Second, they created labels for their domestic wines that resembled the image and style of European wines (Aspler, 1999; Schreiner, 2006, 2009). Schreiner (2009: 12) calls these labels “pseudo labels” which, he states, were “the antithesis of transparency.” Figure 3.1 shows an example of a Canadian label that resembles the image and style of a European wine. In fact, up until the early 1990s, some mass producers of wine still believed that wines with brands that showcased a wine as a Canadian-style wine would not sell. The president of Peller Estates (formerly called Andrés) was quoted in the media at the time as saying: “We want people to think that this is a French style wine ... If you put it in a bottle that says Niagara Dry, people wouldn’t try it. We found that out” (in Thompson, 1990).

In Quebec, none of the 11 wineries licensed during the 1970s had vineyards. They were often created simply because the Quebec government offered the wineries grants (Schreiner, 2006: 221). For instance, the Quebec government offered industrial development grants during this time.

As a result, the Canadian wine industry had a very bad reputation. This was no doubt built on a history of using poor quality grape varieties and low quality practices (e.g., adding sugar to wines) prior to the 1970s. Prominent critics would out rightly describe Canadian wine as terrible and undrinkable. For example, in 1972, when the author of the bestselling book “The World Atlas of Wine”, Hugh Johnson, was asked in an interview with the BBC about Canadian

wine, he claimed that Ontario wine was the worst he had ever had, stating: “The foulness of taste is what I remember best ... an artificial, scented, soapy flavour. It’s not in my Atlas” (Vaughan, 2002).

**Figure 3.1**  
**Example of a European Style Label**



Source: Schreiner, 2009

### ***3.2.2 First Plantings of European Vinifera***

In both BC and Ontario, some large wineries dabbled with the planting of European or *Vitis vinifera*. “*Vitis vinifera* is a grape species originating in Europe and traditionally used for wine for many hundreds of years” (VQA Ontario, 2010j). In Ontario, T.G. Brights grew Chardonnay in the late 1940s and 1950s and released Ontario’s first varietal Chardonnay in 1956 (Phillips, 2006). Bright’s technical director, Adhemar de Chaunac, not happy with wine made from Labruscan grapes, imported thirty-five French hybrids and four *vinifera* varieties from France to Canada in 1945. He was joined in his efforts by the Horticultural Research Institute of Ontario (Schreiner, 2006: 16). Beginning in the 1960s, many Canadian vineyards were converted to French hybrid varieties. Despite de Chaunac’s efforts, the government still discouraged grape growers from growing



European vinifera within Canada. Brights eventually sold off their Ontario vineyards in the 1970s and, in turn, seemingly abandoned its efforts to produce wines made from Ontario grown European vinifera grapes (Aspler, 2006; Phillips, 2006).

Other plantings of European vinifera grapes occurred in Ontario. In 1960, Bill Lenko, a grape grower, planted one of the earliest Chardonnay plantings in Ontario when he imported 2,000 Chardonnay vines from France. Even though it was still in demand, he also replaced all of his Concord in 1975 with four hectares of Merlot grapes at the request of a large winery (Château-Gai) that was buying grapes from him at the time (Schreiner, 2006: 55). Second, when purchased by the Rothmans Tobacco Company, the wine company, Jordan, led by German winemakers sent to run the company, also convinced growers in Ontario to plant Riesling (Schreiner, 2006: 40). Finally, French-trained winemaker, Paul Bosc, also persuaded his employer to plant better grapes when he became Château-Gai's winemaker in 1964. Paul Bosc later went on to open Château des Charmes in Ontario during the late 1970s (Schreiner, 2006: 41).

In BC, Growers' winemaker, Eugene Rittich, (a Hungarian trained winemaker) and his brother, Virgil Rittich, believed that European vinifera could grow in the Okanagan Valley. They claimed that trials to grow vinifera grapes in the past failed due to growers: 1) not having the training to grow the vinifera; and 2) not planting European varieties that were suitable for the Okanagan Valley. They believed that if handled correctly (e.g., plough a protective layer of earth at the base of the vines each fall), these grapes could be grown. However, their trials to ripen European varieties failed due to the poor location of their site near Kelowna. As a result, the general manager at Growers' dismissed the growing of European vinifera and replanted French hybrids on the site in the 1960s (Schreiner, 2006: 143).

In 1961, Andrew Peller opened Andrés, in Port Moody, near Vancouver. The government “allowed Peller to import California grapes on the condition that he planted grapes” in BC (Schreiner, 2006: 144). He imported vines to launch Inkameep Vineyards which was owned by Osoyoos Indian Band. This was the first extensive planting of European vinifera in the Okanagan. He imported such varieties as Riesling, Scheurebe, and Ehrenfelser. Schreiner (2005: 144) points out, however, how Andrés, one of the biggest wineries in Canada, made most of its profits throughout its history from a sparkling wine (Baby Duck) made from Concord grapes.

### **3.3 Legislative and Normative Influences in the Canadian Wine Industry**

The Canadian wine industry is highly influenced by government institutions and is closely regulated. All alcoholic beverages must be sold and distributed through liquor control board outlets in all provinces except Alberta. The provinces of Ontario and BC do, however, “allow wineries to sell their own wines in limited establishments in which they operate” (Agriculture and Agri-Food Canada, 2009: 11). In Quebec, all wine sold in grocery stores must be bottled in the province (Agriculture and Agri-Food Canada, 2009: 11).

Each provincial and territorial government is largely responsible for regulating and controlling the sale of liquor within their jurisdiction. However, there are some Federal laws which influence the wine industry. For instance, liquor importation into Canada falls under Federal legislation, the Importation of Intoxicating Liquors Act. This act specifies that all liquor imported into Canada be brought in through a provincial liquor board located in the province. Furthermore, both imported and domestic alcoholic beverages must comply with labelling and packaging requirements under the Food and Drugs Act and Consumer Packaging and Labelling Act (Agriculture and Agri-Food Canada, 2009: 11).

### **3.3.1 Ontario**

The Ontario wine industry is highly influenced by government institutions or industry associations, some of which date back to Prohibition. The distribution of wine is largely controlled by the Liquor Control Board of Ontario (LCBO). The LCBO was created during Prohibition in an effort to regulate the production and growing public consumption of wine at the time. During the First World War, the government's need for industrial alcohol to make explosives, as well as a popular sentiment for Prohibition, led to the conversion of distilleries from consumer production to the production of industrial alcohol. The Ontario Temperance Act was passed on September 15, 1916 by the government of Sir Hearst, a strong active Methodist and dedicated temperance advocate (Aspler, 2006: 133). A strong grape growers' lobby managed, however, to have native grapes exempted from the provisions. Wine then became the only alcoholic beverage sold legally in the province. As such, during Prohibition in Ontario, which lasted from 1916 to 1927, locally produced wine was given a qualified exemption, while beer and spirit sales were banned.

When Prohibition was introduced, there were only ten operating wineries in Ontario. During Prohibition, the wine industry prospered with the Board of Liquor Commissioners granting forty-seven licenses by the end of Prohibition on October 31, 1927 (Aspler, 2006). Aspler (2006: 133) claims that Prohibition, more than any other factor, turned Canadians into a nation of wine-drinkers. For the province of Ontario alone, consumption grew from 221,985 gallons of domestic wine to 2,208,807 gallons. 80% of the wine consumed was a red port style wine made from Concord grapes. The number of wineries grew by about five times that which existed prior to Prohibition. Although sales of wine shot up 100-fold, Phillips (2006) describes the wine as the worst ever made in the province. Prohibition set the wine industry back over the long term. As soon as spirits and beer came back on the market after Prohibition, demand for wine ebbed. This was partly due to the low quality wines that were being produced (Phillips, 2006). Many wineries went bankrupt. As a result, the provincial

authorities refused to issue new winery licenses for the 50 years that followed. Big wineries, prior to Prohibition, began buying up the licenses of less viable operations for their retail store operations. Through these amalgamations, the number of wineries in Ontario dropped from around sixty down to eight (from the end of Prohibition up until 1975) (Aspler, 2006: 133).

Two other influential organizations that exist within Ontario are the Grape Growers of Ontario (GGO) and the main lobbying group for the wine industry, the Wine Council of Ontario (WCO). The GGO was established in 1937 as a marketing board. The GGO negotiates the terms and conditions of the sale of grapes for processing and exporting. It ensures a unified, minimum price for grapes, regardless if processed for wines, juice, jams, and jellies (Ontario Grape Growers' Marketing Board, 1997). Founded in 1974, the WCO is a nonprofit association which acts as a liaison between the government and its agencies, growers, the LCBO, and its Ontario winery members (82 members in 2008). Essentially, it is the industry's main lobbying group. Its strong ties with the government have allowed it to take a leadership role in establishing policy as well as setting standards in the Ontario wine industry. It also acts as a marketing body for the "Wines of Ontario" with the assistance of Ontario government funding (Wine Council of Ontario, 2009).

Finally, a highly, influential regulation existing in Ontario is the quality standard and appellation system for wine, the VQA. The VQA was eventually adopted by the BC wine industry. The VQA will be discussed in depth in Section 3.4.3.

### ***3.3.2 British Columbia***

The BC wine industry also has influential, long-standing institutions and organizations over its history. Like Ontario, some of these institutions can be traced back to Prohibition. During Prohibition, the sale of alcohol, with the exception of that sold for prescription use, was completely banned in BC. In 1916, the provincial government held a referendum on Prohibition which was eventually

approved. In March 1918, under pressures from the provinces, the Federal government eventually banned inter-provincial trade of liquor in any province under Prohibition. During this time, the provincial government controlled alcohol distribution for prescriptions. The province, however, had fallen prey to bootleggers and a corrupt medical system. There was a surge, for instance, in prescriptions written for alcohol. Consequently, the BC government decided to hold another referendum in 1920 asking citizens if they wanted the prohibition or simple control of alcohol distribution. The public voted for control of distribution and, as a result, the province became the first to adopt a system of government control over alcohol distribution (Campbell, 1991). In 1921, the government introduced the liquor control legislation which gave the government control over alcohol distribution. In 1975, the BC Liquor Distribution Branch was created to separate the retail functions of the Liquor Control Board from licensing duties (Sloan, 2010). Today, there are two branches of government responsible for liquor: 1) the Liquor Control and Licensing Branch (LCLB), which “issues licenses in B.C. for making and selling liquor (either by the glass or bottle) and supervises the service of liquor in licensed establishments”; and 2) the Liquor Distribution Branch (LDB), which “regulates the distribution and importation of beverage alcohol in B.C. and operates approximately 200 government liquor stores in the province” (Liquor Control and Licencing Branch, 2010).

The Grape Growers Marketing Board was formed in 1970 in BC to negotiate grape contracts with major wineries. It ensured that all BC wine grape crops found buyers given that importing grapes was cheaper for wineries. Many wine writers (Sloan, 2010) claim that the marketing board eliminated the growers’ individual accountability for the quality of the grapes they sold. The Grape Growers Marketing Board was eventually abolished by the provincial government in 1990. Some critics attribute this change directly to the increase in grape prices in BC over the past two decades (Gismondi, 2008).

The BC Wine Institute (BCWI) was formed in 1990 “to supervise and control production standards, to act as a generic marketing association for the BC industry, and to liaise with government” (BCWI, 2010). The VQA standards were enacted and monitored through the BC Wine Institute. Harry McWatters was appointed by the province as the chair of the BCWI from 1990. Under McWatters, the BCWI was able to push for licenses to open VQA wine stores that would feature BC VQA wines exclusively (Lancaster, 2002). Currently, there are 19 BC VQA wine stores across British Columbia.

### **3.4 1970s to Current: 100% Domestic Wine Production in Canada**

#### ***3.4.1 Early Pioneers Dedicated to Making 100% Domestic Wines***

In the 1970s and 1980s, small estate wineries within Canada became dedicated to producing 100% domestic wines made from European vinifera or French hybrids. At the same time, a global revolution in winemaking occurred around the world. Countries such as New Zealand, Australia, South Africa, Chile, and the United States, that had made mediocre wine for decades, began producing quality wine that could compete in world markets (Phillips, 2006: 18). In Canada, this occurrence, along with increasing settlement of European immigrants throughout the 1950s to 1970s, stirred interest in making 100% domestic wines.

In Ontario during the 1970s and early 1980s, many estate wineries, dedicated to growing and making wine from European vinifera grapes grown in Ontario, began operation. The first licenses granted for winemaking after Prohibition went to two boutique operations: Inniskillin, in 1975, and a sparkling wine facility named Podamer. The cofounders of Inniskillin, Don Ziraldo and Karl Kaiser, had one main standard - that their wines be produced with 100% locally grown grapes, preferably European vinifera (Aspler, 2006). Inniskillin was soon followed by other estate wineries which made wines from their own vineyards, such as Château des Charmes which opened in 1978. The winery planted the first 100 percent European vinifera vineyard on St. David’s Bench (Phillips, 2006). Several other wineries opened between 1975 and the late 1980s.

These included Newark (1979) (now Hillebrand), Colio Estate (1980), Reif Estates (1982), St. Urbanshof (precursor to Vineland Estates) (1983), Pelee Island Winery (1984), Konzelmann Estate (1984), Stoney Ridge (1985), Cave Springs Cellars (1986), and Henry of Pelham (1988) (Aspler, 2006). These estate wineries were mainly owned by individuals of European background, some of whom were convinced that the climate and soil of the region were similar to areas in Europe such as Burgundy (Phillips, 2006). These estate wineries, beginning with Inniskillin, contributed to the rapid expansion of French *Vitis vinifera* grown in such regions as Niagara (Shaw, 2005: 91).

In BC, politicians agreed to recognize estate wineries only: 1) after they realized the great tourist potential for a thriving wine industry in the Okanagan Valley; and 2) due to a pioneer, Bob Claremont, who opened the first estate winery in 1978 (Schreiner, 2006, Aspler, 2006). The BC Liquor Control and Licensing Branch, not knowing how to deal with the novel enterprise, hastily introduced regulations (now obsolete). Moreover, the BC government also created new estate winery regulations due to their belief that wineries could grow better grapes in their vineyard rather than buy wine from growers (Schreiner, 2006: 145). This belief was also influenced by the rapid growth of wine sales and the experiences of such large wineries as Calona and newer wineries such as Mission Hill and Casabello (both founded in the late 1960s). These wineries, unlike Claremont, bought grapes from the grape board that required wineries to buy all the fruit with little regard for quality. BC modeled their regulations after those in California, which as a region was experiencing great success (Schreiner, 2006: 145). The new estate winery regulations, however, both encouraged and inhibited new estate wineries. For instance, Claremont could only sell his products through his own store located at the winery, or through specialty liquor stores that would carry a provincial mark-up of 15 percent (Aspler, 2006).

In BC, there were five estate wineries that were started in the late 1970s to early 1980s - Claremont (1978), Cedar Creek (1980), Sumac Ridge (1980), Gray

Monk (1982), and Divino (1983). Gray Monk and Sumac Ridge were pioneer estate wineries that primarily made wines from European vinifera and which still exist to this day (Schreiner, 2006). “As wineries began offering premiums for vinifera”, grape growers were spurred to replace hybrids with vinifera (Schreiner, 2006: 145). In 1978, the BC industry “as a whole began an eight-year-long trial of premium European grapes in consultation with” a director of oenology, Dr. Helmut Becker, at the Geisenheim Institute in Germany. This trial was called the Becker project. Up until 1986, this project enabled the industry to understand what varieties were most viable for the Okanagan (Schreiner, 2006: 145). In the late 1980s, Gehringer Brothers (1986), LeComte (1986), and Hainle (1988) estate wineries were founded (Schreiner, 2006).

### ***3.4.2 The Free Trade Agreement***

The catalyst for overhauling Canadian wine quality was the 1989 Free Trade Agreement (FTA) between Canada and the US. The agreement stripped away Canadian wines’ protected status, such as their preferred listings and lower prices in provincial liquor stores. With this agreement, wine made with lower quality Labruscan grapes simply could not compete with imported wines made with higher quality European vinifera. As a result, many growers switched from native species to European vinifera by the late 1980s to early 1990s. The Ontario government spent \$50 million to compensate growers who pulled out the inferior grape varieties between 1986 and 1991. Ontario, as a result, lost 20 percent of its vines; Labrusca and hybrid varieties declined and Vitis vinifera grapes increased in proportion of all vines from 10 to 25 percent (Phillips, 2006). In BC, wineries and grape growers negotiated compensation for all growers in order to allow them to pull out grapes not wanted by wineries. Consequently, two-thirds of the vineyards, chiefly planted originally with hybrid grapes, were pulled out after the 1988 vintage (Schreiner, 2006: 146). The large wineries renewed the argument to import bulk wines in the early 1990s when grape shortages resulted from the replanting of vineyards following the FTA.



Many regulations in the main wine regions in Canada, Ontario, and BC were grandfathered as a result of the FTA. In Ontario, for instance, wineries, which did not own private stores prior to 1993, were no longer able to open stores off their winery site. Moreover, wineries, which opened after 1993, did not have the rights to blend foreign content into Ontario wine labelled 'Cellared in Canada'. As one interviewee put it, these rules were put in place to prevent wineries from setting up shop on every corner in Ontario, as well as to reduce foreign competition from selling in private winery shops. Furthermore, to increase revenues as a consequence of the FTA's effect on profit margins, the large wineries expanded into other provinces and began to consolidate in Ontario (Aspler, 2006). For example, Brights bought Jordan, and Château-Gai bought Barnes. In 1989, a buyout of Château-Gai from a team of managers at Labatts, led by Allan Jackson and Don Triggs, created Cartier Wines, a company that would later become Vincor. Vincor eventually bought Inniskillin, Brights, and London (Aspler, 2006: 135). Vincor was then bought by the largest wine company in the world, Constellation, in 2006 (National Post, 2006).

### ***3.4.3 The Vintners Quality Alliance***

In Ontario, the practices of the estate wineries founded in the 1970s and 1980s were enshrined in the VQA programme in the 1980s.<sup>7</sup> The VQA as an appellation system was first proposed by Don Ziraldo in the mid 1980s. The VQA rules were later written by a group of estate wineries which were dedicated to producing 100% domestic wine using higher quality European vinifera and selected French hybrid grapes. This programme was run by a self-regulated, voluntary body up until the late 1990s (Aspler, 2006). After the FTA was passed, the VQA became informally endorsed by the Ontario government. VQA Ontario

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<sup>7</sup> This chapter focuses on the Ontario wine industry because it is the research site in which my qualitative study on how small players change mature organizational fields takes place. The qualitative analysis described in the study (found in Chapter 4) included the development of a chronology of events which led up to the emergence and institutionalization of the VQA Ontario. This chronology is presented in this chapter (see Table 3.1).

recognizes designated grape-growing areas within the province, such as the Niagara Peninsula, Pelee Island, Prince Edward County (PEC), and Lake Erie North Shore. The VQA's stipulations include that: 1) wines must be made from the classic vinifera varieties (e.g., Chardonnay, Riesling, Cabernet Sauvignon, and Pinot Noir), or from preferred hybrids (e.g., Vidal, Seyval Blanc, Maréchal Foch, and Baco Noir); 2) wines must contain at least 85% of that variety and exhibit its taste character in order to use the grape name on the label; and 3) wines in Ontario are tasted during a blind taste test by a panel of experts to ensure authenticity and typicity<sup>8,9</sup> (Aspler, 2006: 32). Around the time of the FTA, the Ontario Wine Content Act was also revised so that all Labruscan grapes could no longer be used to make table wines. The act also banned wineries from adding sugar, water, and colouring agents to wine (Ontario Grape Growers' Marketing Board, 1989; Philips, 2006).

In Ontario, the VQA standard eventually became enshrined in regulation under the Vintner Quality Alliance Act 1999, in June, 2000 (VQA Ontario, 2010d). Regulating the VQA meant that VQA rules would now be enforced by a third party, the government. Regulating the VQA also helped the industry address trade barriers that prevented Canadian wines from entering the European Union

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<sup>8</sup> "VQA Ontario does not certify wineries, rather it evaluates each different wine to see if it meets the VQA standard and is eligible for appellation" labelling. "When the winery has finished making the wine and is ready to bottle, the wine is submitted to VQA Ontario for 'approval'" (VQA Ontario, 2010l). In terms of typicity, the wine is tasted by a panel of trained tasters provided by the Liquor Control Board of Ontario (LCBO). "These tasters must pass a yearly proficiency test and are independent of the wineries to avoid a conflict of interest. Tastings are conducted in a controlled setting following well established principles of sensory evaluation – it is much different from a wine competition since the wines are evaluated against an absolute standard ... In terms of technical testing, every wine undergoes comprehensive laboratory analysis, which is also conducted by the LCBO, to ensure it meets basic wine quality benchmarks and health and safety standards" (VQA Ontario, 2010l). In terms of typicity, the wines may be assessed for such factors as varietal characteristics that are typical of the varietal from which it is made.

<sup>9</sup> Appendix I outlines VQA Ontario rules and regulations.

(EU).<sup>10</sup> The EU claimed that they were reluctant to purchase Canadian wine because Canada lacked a credible certification system. In 1999, the Ontario government also allowed Ontario wineries to bypass the LCBO and deliver wine directly to restaurants, hotels, and bars (Waters, 1999). This resulted from the WCO and GGO's lobbying of the government for change in legislation in a bid to expand the market for high-quality domestic wine across the province. Under the old system, Ontario wineries had to pay a 58 percent mark-up fee to the liquor board on wine sold directly to hotels and restaurants across the province (Waters, 1999).

In recent years, the Ontario wine industry has undergone an expansion with the emergence of a fourth designated viticultural area (DVA) in Ontario, Prince Edward County (PEC). This DVA joined the other existing DVAs - Niagara Peninsula, Lake Erie North Shore, and Pelee Island.<sup>11</sup> Aspler (2006) claims that the new DVA is the beginning of a quest for new and less costly land on which to plant vineyards. In this quest, growers are moving as far north as Thunder Bay, Owen Sound, and Collingwood, and as far east as Chesterville. Table 3.1 provides a historical timeline of major events occurring within the Ontario wine industry which influenced the emergence and institutionalization of the VQA.

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<sup>10</sup> Beginning in the late 1990s, the EU blocked all Canadian icewine and limited regular Canadian wine imports to about 100,000 litres, or at a value of \$1 million annually (European wine producers meanwhile sold \$350 million a year in Canada and faced no restrictions) (Wilson-Smith, 1999). "After years of the federal and provincial governments lobbying the European Union countries, the EU granted permission" for Canadian wineries to sell their icewines in 2001 (Niagara Falls Review, 2001: A.1).

<sup>11</sup> "All Ontario VQA wines are made from 100% Ontario grown grapes. In order to claim a more specific appellation of origin – for example, "VQA Niagara Peninsula VQA" – wines must meet quality and production standards to demonstrate that all grapes used in production were exclusively grown in Ontario, with at least 85% grown in the stated appellation" (VQA Ontario, 2010e).

<b>Table 3.1:</b> <b>Historical Timeline of Major Events Occurring within the Ontario Wine Industry</b>	
<b>Year</b>	<b>Event</b>
1800s	<ul style="list-style-type: none"> <li>• Early 1800s, Schiller (acknowledged as the father of Canadian wine) grows indigenous grapes and hybrids to make wine in what is now known as Mississauga.</li> <li>• T.G. Brights is founded in 1874.</li> <li>• By 1890s, there are 35 commercial wineries in Canada.</li> </ul>
1900s to 1940s	<ul style="list-style-type: none"> <li>• In 1916, the Ontario temperance act is passed.</li> <li>• Strong grape grower's lobby manages to have native grapes exempted from the provisions and, as such, wine becomes the only alcoholic beverage sold legally in the province.</li> <li>• During Prohibition, from 1916 to 1927, Ontario is turned into a wine-consuming region and the number of wineries more than quadruples.</li> <li>• Main varietals used to make wine are indigenous varieties which make awful wines. As a result, winemakers add water, sugar, and colour agents to their wines.</li> </ul>
1950s and 1960s	<ul style="list-style-type: none"> <li>• Trials by the government to grow <i>Vitis vinifera</i> grapes fail. As a result, government discourages <i>vinifera</i> grape-growing in Canada.</li> <li>• Ontario regulations enables wines made from hybrid varietals to be labelled as higher quality <i>vinifera</i> grapes.</li> <li>• T.G. Brights is one of the first wineries to experiment with <i>Vitis vinifera</i> grape-growing in the 1950s. However, these practices are later abandoned.</li> <li>• Majority of wineries import content to make blended wines rather than make larger investments to improve domestic viticulture.</li> </ul>
Mid 1970s	<ul style="list-style-type: none"> <li>• In 1974, Inniskillin is the first winery to be granted a license in Ontario post-Prohibition. This winery is also the first estate winery to become dedicated to producing wines made from 100% <i>Vitis vinifera</i> or hybrid grapes grown in Ontario.</li> </ul>
1980s	<ul style="list-style-type: none"> <li>• More than 15 estate wineries are founded in Ontario.</li> <li>• Inniskillin and Hillebrand begin to commercially produce icewine in the early 1980s.</li> <li>• In mid-1980s, Ziraldo creates the VQA.</li> <li>• In 1989, the FTA between Canada and the U.S. threatens the legitimacy of lower quality practices used in Canada. The agreement strips away Canadian wines' protected status, and, as such, Canadian wines have to directly compete against the higher quality American wines.</li> <li>• In the late 1980s, various Ontario estate wineries develop VQA rules in response to the FTA. This quality standard is used to distinguish their estate-made wines from the lower</li> </ul>

	<p>quality commercial wines being produced in Canada, and, as such, compete against the American wines.</p> <ul style="list-style-type: none"> <li>• Government revises the Ontario Wine Content Act according to quality practices used by estate wineries (e.g., banning Labruscan grapes from table wines).</li> <li>• With government assistance from Ontario, many growers switch from native species to European vinifera grapes in the late 1980s and 1990s as a result of the FTA.</li> </ul>
1990s	<ul style="list-style-type: none"> <li>• Large mass producers apply VQA rules to a minimal number of wines they produce. These large mass producers continue to produce mainly blended wines due to grape shortages resulting from replanting vineyards after the FTA.</li> <li>• Large mass producers adopt VQA rules in Ontario by mainly purchasing or merging with estate wineries already using quality practices.</li> <li>• A winery's ability to open stores off their winery's site, and to blend domestic wine with imported juice, is grandfathered so that only wineries existing prior to 1993 hold that right.</li> <li>• In 1999, wineries are allowed to sell wines directly to licensees and thus bypass the LCBO's 58% markup.</li> </ul>
2000s	<ul style="list-style-type: none"> <li>• VQA Ontario is designated as Ontario's wine authority under the Vintners Quality Alliance Act, 1999, on June 29, 2000.</li> <li>• Harsh winters cause short crops in Ontario. This leads to concessions as to the percentage of Ontario grapes that can be put into blended wines (wines bottled using mainly imported juice).</li> <li>• Wineries founded in the 2000s start to grow own grapes in order to control quality of grapes grown.</li> <li>• Industry organizations are founded to counteract the Wine Council of Ontario (WCO). These organizations believe the WCO is representing the bottling industry and not the 100% domestically grown industry because they will not lobby for such issues as labelling, which to them will clearly outline what is and what is not a 100% domestically produced wine product.</li> <li>• In late 2009, the Ontario government rules to increase the levies on 'Cellared in Canada' wine made with 70% foreign content. These levies will go towards financing and enhancing VQA wine sales. The plan also involves a short-term increase of Ontario content from 30 to 40%. However, the new legislation will eventually eliminate the domestic content requirement in 'Cellared in Canada' wines which will take effect in 2014.</li> <li>• In response to the government raising the levies on 'Cellared in Canada' wines, large producers producing such wines leave the main industry association, the WCO, in late 2009, to start their own industry association that will better represent their needs to government.</li> </ul>

In BC, the wine industry was also vastly affected by the FTA. Many growers “with vineyards that were too small to support their own estate wineries talked the government into establishing the farm winery license, with a vineyard minimum of only 2.2 acres” rather than 8 acres, as was the case for estate wineries (Schreiner, 2006: 146). This allowed half a dozen wineries to open up, helping in turn to rescue a flailing industry. Furthermore, in 1990, the BC wineries adopted the Ontario VQA concept. Up until recently, this programme was overseen by the BCWI. Under this self-regulatory system, “wines were screened by a professional tasting panel” whereby those that passed were certified with the VQA label (Schreiner, 2006: 146). In 2007, the BC Wine Authority (BCWA) was established to oversee VQA standards and “the newly enacted Wines of Marked Quality Regulation for BC’s wine industry” (BC Wine Institute, 2010; Gismondi, 2007: D.5). This meant that the standards would be overseen by a body that was independent of the wineries themselves and that had the power to enforce the regulations. BC currently has a mandatory level of wine production standards called “Wines of Marked Quality” (or BC Wine of Distinction Content) for all wineries. The VQA programme, on the other hand, remains voluntary. The BC Wine of Distinction Content requirements include that wines be produced entirely from grapes grown in BC. In addition, the wines must be entirely fermented, processed, and finished in British Columbia (Wine Law, 2008). BC VQA requirements include that wines be made with varietals specified in the VQA programme. They must also go through a taste testing panel. The BCWI is now responsible solely for industry marketing efforts.

The VQA programme, however, currently exists only in BC and Ontario. It has not been adopted by other provinces such as Quebec and Nova Scotia. This is primarily because those areas grow many varieties not accepted by the VQA programme (Schreiner, 2006: 13).

#### ***3.4.4 Current Issues Affecting 100% Domestic Wine Production in Canada***

The Canadian wine industry is, however, currently struggling with issues involving the production of 100% domestically produced wines (Phillips, 2006). These issues mainly stem from regulations existing prior to the emergence of the VQA. The main issue in Canada involves labelling laws which allow bottled wines made with at least 70% imported juice to be labelled as 'Cellared in Canada'. Many critics and interviewees believe that this type of labelling confuses consumers regarding what is and what is not a 100% domestically produced wine. In Ontario, an additional issue, which was identified by industry members as affecting domestic wine production, is the lack of distribution for 100% domestic wines made by small players.

##### ***3.4.4.1 Labelling Laws***

Under current federal and provincial regulations, wineries are allowed to blend imported wines with domestic wines and label these wines as 'Cellared in Canada'. In Ontario, for instance, wineries labelled these blended wines, made with only 30% of Canadian grapes, as 'Cellared in Canada'. In BC, wines made with 100% imported grapes can be labelled as 'Cellared in Canada'. The large wineries renewed the argument to import bulk wines in the early 1990s when grape shortages resulted from the replanting of vineyards following the FTA (Schreiner, 2006). The smaller estate wineries, that are instead dedicated to producing 100% produced domestic wines, want to change current regulations. They want clearer labelling regarding what is and what is not a Canadian product (Reid, 2005).

In Ontario, concessions to the 'Cellared in Canada' regulations were made in the early 2000s when harsh winters in 2003 and 2004-2005 devastated Ontario grape vineyards. Decisions to make these concessions occurred at the main industry association, the WCO. As a result, the Ontario grape content in blended wines or 'Cellared in Canada' wines was temporarily reduced to a minimum of 10% in 2003 and then to 1% in 2005 (Phillips, 2006). This plan, which was put

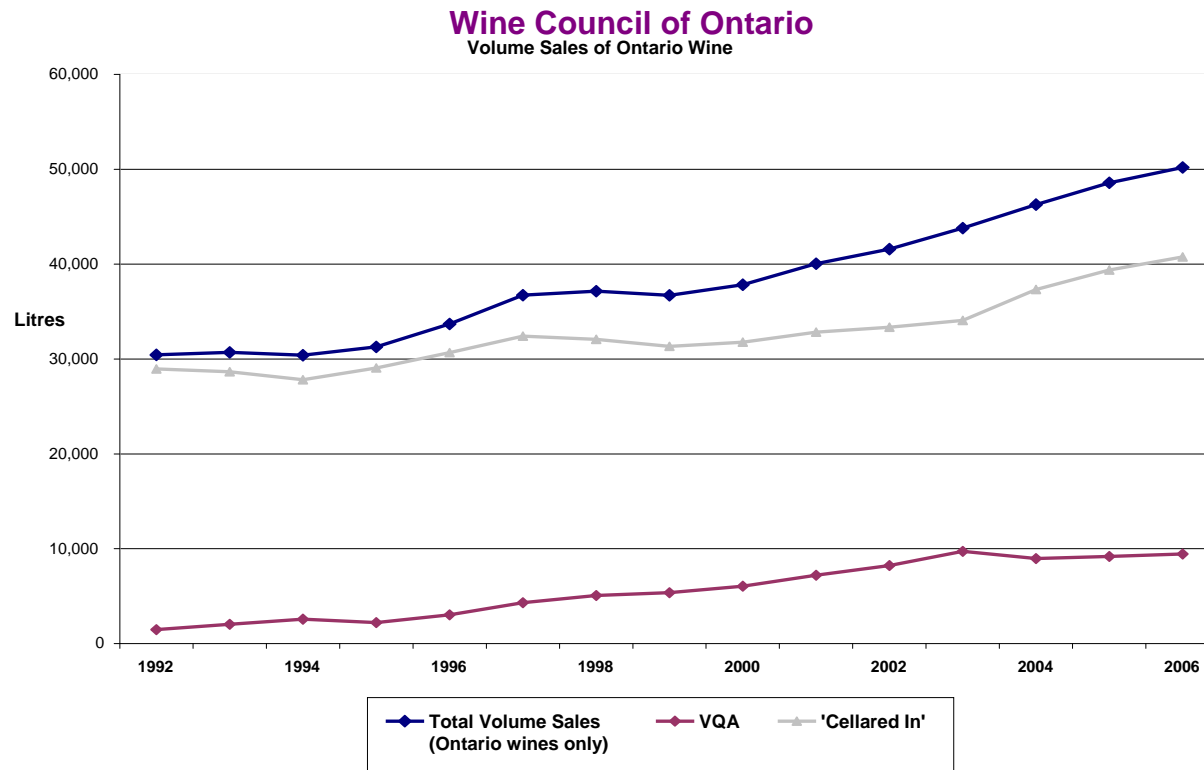
forth by the WCO, was expected to ensure that the majority of Ontario grapes went into VQA wines. The 2005 short crop concession agreement also outlined that LCBO marketing should distinguish for consumers “short crop” wines from 100 percent Ontario VQA and other Ontario-made wines. Furthermore, the agreement allowed wineries, which came into existence after 1993, to temporarily use imported grapes for the 2005 grape crop only (McDonald, 2005).

These concessions expanded a rift between large and small wineries, which originally existed due to unequal regulations regarding distribution (e.g., pre-1993 wineries have grandfathered private stores while others do not). Essentially, some wineries believed that these concessions created confusion amongst consumers. Some wineries believed that wines that were not VQA wines were intentionally disguised as VQA wines (same packaging) in order to take advantage of consumers interest in buying local products. As a result, many wineries dedicated to producing 100% domestic wines or VQA wines (usually small wineries) felt that this negatively affected VQA wines’ market share. Figure 3.2 illustrates the volume of VQA wine sold compared to the volume of Ontario wine sold in various years.

Throughout the 2000s, two industry associations were started by proponents of the 100% domestically produced wine industry to counteract decisions made by the main industry association, the WCO. They felt that the WCO did not lobby against regulations which hurt 100% domestic wine sales. First, the Ontario Viniculture Association (OVA) was formed in 2007 by a former-LCBO employee and longtime field members to voice their opinions to government. This association still exists today. The Ontario Wine Producers (OWP) was formed in the early 2000s and was active up until 2009. It was formed in order to react to field activities that were felt did not help the 100% domestic wine sector (i.e., shelving VQA wine with imported wine at the LCBO). These groups believed that the WCO represented the needs of the bottled wine industry rather than that of the 100% domestic wine sector.



**Figure 3.2**  
**Volume Sales of Ontario Wine from 1992 to 2006**



Source: Wine Council of Ontario

In 2009, controversy regarding ‘Cellared in Canada’ wines was sparked again when Jancis Robinson, one of the world’s most popular wine writers, condemned the Canadian wine industry for its ‘Cellared in Canada’ wines, in an article run in the Financial Times. She essentially argued that the big Canadian wineries were misleading consumers by not clearly labelling those blended wines made with imported juice. The news story was later picked up by numerous media outlets including the CBC (Schreiner, 2009). As a result, the largest wine companies in Canada held a meeting to discuss ways of rectifying the situation.

In the same year, the Ontario government hiked the levies on ‘Cellared in Canada’ wines made with 70% foreign content. The levies are used to finance and enhance VQA wine sales. In LCBO stores, 44 per cent of the wines sold are ‘Product of Ontario’ (Cellared in Canada and 100% domestic wines) and 56 per cent are imports. 79 per cent of the ‘Product of Ontario’ wines sold are blended ‘Cellared in Canada’ wines while 21 per cent are VQA wines (Marr, 2010). The plan mandates a short-term increase of Ontario content from 30 to 40%. However, this short-term increase is a transitional move to help farmers adjust to a new grape varietal plan designed to boost production and quality before new legislation eliminates the domestic content requirement for blended wines in 2014. The increased levies on ‘Cellared in Canada’ wines will be combined with VQA-friendly shelving requirements at LCBO stores (Benzie, 2009). This change later prompted large players, producing ‘Cellared in Canada’ wines, to leave the WCO in order to start a new association that would better represent their needs to the government (Street, 2009). Furthermore, a committee composed of LCBO and wine industry representatives proposed to eliminate the Cellared in Canada term and replace it with “Blended from International and Canadian Wines” on the front of the bottles. They proposed this change to the Ontario’s Ministry of Consumer Services and the Canadian Food Inspection Agency, which regulate alcohol labels at the national level (Ejbich, 2010). This proposal is currently being reviewed by the Federal Government. There will also be new signage in retail stores and LCBO stores that clearly differentiate wines made with blended content and those

that are 100% domestically produced. The signage proposed by the industry for wines made with imported content is “International-Canadian Blends”.

Many critics believe that there is room for both ‘Cellared in Canada’ wines and 100% domestically produced wines in the industry. According to Schreiner (2009), large wine producers produce ‘Cellared in Canada’ wines in order to meet consumer demand for wines in the lower cost range. VQA wines cannot be produced cheaply enough to meet this demand. Furthermore, the profit from ‘Cellared in Canada’ wines support investments made by these large wineries in developing the wineries and vineyards needed to make 100% domestically produced wines. However, many proponents of 100% domestically produced wine want those wines made with imported content to be clearly labelled as such.

#### *3.4.4.2 Distribution in Ontario*

In Ontario, wineries are struggling with limited distribution. Many wineries take issue with the LCBO rules and regulations which allow some wines to have private stores while others cannot. As mentioned, the ability to open stores off a winery’s site was grandfathered in 1993. Massive consolidation after the FTA led to the majority of stores falling into the hands of the two largest wine companies in Canada. Hence, unlike most small producers of wine, these mass producers of wine, which make blended wines as well as VQA wines, have access to retail outlets, which are licensed by the Ontario government, to showcase and sell their wines directly to consumers. Some wineries, like Colio Estate and Château des Charmes, operate retail stores. However, the biggest chain by far is Vincor’s (now Constellations) Wine Rack, which has about 160 outlets across Ontario, many of them in supermarkets (Phillips, 2006).

The LCBO’s general list also tends to carry wines from Ontario’s bigger producers, most of which produce mainly blended wines made from imported content, in order to stock all 600 or so of its stores (Schreiner, 2006). The LCBO

sells about 85% of the wines in the province (Phillips, 2006). Unlike smaller producers, large- to medium-sized players can supply the volumes the LCBO needs for its cross-province operations (Phillips, 2006). The LCBO does, however, purchase from smaller producers for its Vintages stores, and also has a program to stock wine from smaller producers in selected stores. As mentioned, in 1999, the Ontario government also allowed Ontario wineries to bypass the LCBO and deliver VQA wine directly to restaurants, hotels, and bars (Waters, 1999).

BC wineries do not share the same distribution access issues as those in Ontario. In BC, wineries have always been able to sell directly to licensees. This led to profits and restaurant support for BC wines. As mentioned, up until 1999, Ontario wineries, however, had to pay levies of over 50% to the LCBO when selling to licensees. Consequently, Schreiner (2005) claims that Ontario wineries did not target restaurants. This in turn led to the ordering of imported wines by these licensees. As a result of their easier access to licensees, it was also easier to open wineries in BC than in Ontario. There are also specialty stores in BC where VQA wines are sold. Schreiner (2006: 44) claims that this is one of the reasons BC consumers are more aware of domestically produced wine. The GGO has lobbied for similar stores in Ontario, but without much success. Consumers have also not supported the local wine industry in Ontario as in BC. Many industry members believe that it is “a hangover from decades of mediocre wine and from an unwillingness to explore the vastly improved wines now available” (Schreiner, 2006: 44).

Programs to help small wineries gain improved access to the Ontario market have been implemented in the past. For instance, the Ontario Government, in March 2006, allocated \$5 million to the grape and wine industry, with \$3 million to VQA wine producers. The Ontario government later introduced a rebate program, in 2007, to help increase the public’s access to a greater selection of VQA wines. This program increased wineries’ access to new markets through LCBO stores. Eligible wineries received a 30 percent rebate for the first 120,000

litres of VQA table wines sold through the LCBO (Hill, 2006). Some of the smaller wineries were disappointed, however, to learn that the amount was determined by LCBO sales of their wines, meaning the amounts these wineries received were negligible (McLeod, 2006; Hill, 2006). The program ended in early 2009 (Stimmell, 2009). Recently, many winery representatives have blamed the end of this program as being one of the factors that has contributed to the financial struggle and potential demise of 30 or so wineries in the Ontario wine industry (Stimmell, 2009). Finally, the LCBO introduced the Ontario Go-to-Market-Program, in 2008, a direct delivery distribution option for Ontario VQA products. The program is for small wineries that are not able to provide the wine volumes required to attain a general listing at the LCBO. These wineries can directly deliver their wines to a set number of LCBO retail store locations where those wines could be sold (Liquor Control Board of Ontario, 2008b).

#### ***3.4.5 Other Factors Influencing Ontario's Domestic Wine Production***

Another influence involved in Ontario's domestic wine production was the waves of winery foundings which occurred in the province. Waves of investments occurred within five generations of winery foundings in Ontario (Aspler, 1999: 24-25). The first generation involved large corporations – London, Brights, Andrés, Château-Gai, and Barnes – founded prior to the mid 1970s. This generation controlled the market with such products as Baby Duck, as well as German and French knock-offs made with hybrid and Labruscan grapes. The second generation included the cottage wineries that were founded in the mid 1970s to early 1980s. The third generation of estate wineries included estate wineries founded in the mid to late 1980s. This generation further honed winemaking practices. The fourth generation involved farm gate wineries founded largely by grape growers in the 1990s. This generation emerged in part due to consolidation occurring after the FTA and, hence, the risk associated with not having enough corporations as buyers of grapes (Schreiner, 2006). The latest or fifth generation of foundings is described by Aspler (1999) as the super premium revolution. The fifth generation involved small niche wineries dedicated to

producing high-end wines from low yields. Unlike many of the previous generations, such as the forth generation of wineries founded by local grape growers, the fifth generation founders could easily finance the capital needs of their businesses. Table 3.2 illustrates the main changes in the Ontario wine field which include the following: 1) changes in type of wineries founded; and 2) changes in field rules and regulations from the early 1970s to today.

In sum, the 100% domestic wine production in Canada is highly influenced by: 1) small, estate wineries dedicated to making wine made with 100% grapes grown in Canada, 2) the FTA, and 3) the VQA. Particularly in Ontario, there are many factors that have influenced the emergence and evolution of the 100% domestic wine production sector. These include: 1) regulatory structure of the field; and 2) the waves of winery foundings occurring in the province.

The following chapters (Chapters 4, 5, 6 and 7) detail studies on the emergence, diffusion and/or institutionalization of small players' practices within a mature organizational field. The research context in which these studies take place is the Canadian wine industry. Chapter 4 is a qualitative study of how small players' new practices emerge, diffuse, and are institutionalized within the Ontario wine industry. It outlines research questions, a methodology, and findings regarding how small players change a mature organizational field.

<p align="center"><b>Table 3.2</b> <b>Ontario Wine Industry Field Changes</b></p>					
<b>Field Element</b>	<b>Prior to 1970s</b>	<b>1970s</b>	<b>1980s</b>	<b>1990s</b>	<b>2000s</b>
<b>Generation of organizational foundings</b>	Wineries mainly produce wines with lower quality, winter hardy indigenous grapes and imported content (Generation 1).	Niche wineries founded by Europeans go against institutional thinking and dedicate themselves to making domestic wines made from higher quality European vinifera or French hybrid grapes grown in Ontario (Generations 2 & 3).		<p>Foundings of niche players who produce domestic wines mainly by grape growers (Generation 4).</p> <p>Consolidation of wineries results in industry domination by two large, corporate-run wineries (e.g., main owners of grandfathered private stores and dominating main industry association).</p>	Foundings of niche wineries by outside, deep-pocketed investors (Generation 5).
<b>Regulations and rules</b>	<p>All wineries able to blend domestic grapes with imported content and open private stores off winery site.</p> <p>The Wine Content Act, in 1972, legitimizes the blending of domestic wine</p>	Late 1980s, Ontario wine industry is threatened due to FTA causing lower quality Canadian wines to be in direct competition with American wines.		<p>In 1993, ability to blend wine with imported juice, and open stores off winery site, is grandfathered.</p>	<p>VQA coercive measures are implemented:</p> <ul style="list-style-type: none"> <li>- VQA is regulated</li> <li>- Economic incentive is attached to VQA wines so that wineries producing VQA wines do not have to pay taxes when selling to licensees.</li> </ul> <p>Concessions are made to blending laws whereby wineries can blend up to 99%</p>

	with foreign wine.	<p>The idea for the VQA is created in mid-1980s by Donald Ziraldo in order to export abroad. The rules are later written by many estate wineries.</p> <p>Entrepreneurs present VQA as a solution in the late 1980s to the FTA.</p> <p>Government funds a pull- out program of indigenous grapes to plant higher quality European grapes due to FTA.</p>		<p>imported juice in their ‘Cellared in Canada’ wines during short crop seasons.</p> <p>Government increases levies on ‘Cellared in Canada’ wines and will phase out domestic content in these wines by 2014. The levies will go towards marketing and enhancing VQA sales.</p>
<b>Institutions and industry associations</b>	<p>Main distribution channel is the LCBO, a government-run agency.</p> <p>The main industry association, the Wine Council of Ontario is (WCO) created in 1974 to act as a liaison between government and industry.</p> <p>LCBO rules cater to wineries producing volume (although the LCBO tended to relax rules for newly founded wineries in the 1980s).</p> <p>GGO guarantees a minimum price for grapes sold by grape growers in Ontario which are paid by tonnage produced.</p> <p>Starting in late 1980s, VQA government funding and marketing channeled through the main industry association, the WCO, represents players that use both old and new practices.</p>			<p>LCBO and government introduce programs to help smaller wineries get better access to their stores.</p> <p>In the 2000s, two industry associations are started by proponents of 100% domestically produced wine to counteract the WCO thought to represent bottled wine industry.</p> <p>In late 2009, large producers of bottled wine or, ‘Cellared in Canada’ wines split from the WCO to start their own association.</p>



## **4.0 QUALITATIVE STUDY**

### **HOW DO SMALL PLAYERS CHANGE MATURE ORGANIZATIONAL FIELDS?: THE EMERGENCE AND INSTITUTIONALIZATION OF SMALL PLAYERS' PRACTICES WITHIN A MATURE ORGANIZATIONAL FIELD**

#### **4.1 Introduction**

In this chapter, I explore how small players change mature organizational fields. The research context in which I base my study is the Ontario wine industry (presented in previous chapter). Achieving legitimacy in the eyes of those that control resources is particularly difficult for small, peripheral players that are trying to break into mainstream markets of mature organizational fields. Mature fields are those that are characterized by stable pre-existing institutional logics and structures, interlocked relationships between participants, and high levels of practice standardization. To date, theorists studying mature organizational fields have focused on institutional change stories that involve large, powerful players that have the resources to change organizational fields and organizations (DiMaggio, 1988; Garud, Jain, & Kumaraswamy, 2002; Greenwood, Suddaby, & Hinings, 2002; Lee & Pennings, 2002; Rao, Monin, & Durand, 2003; Greenwood & Suddaby, 2006). Yet, small players can significantly change mainstream markets of mature organizational fields. Leblebici, Salancik, Copay, and King (1991) were the first to identify small niche players as innovators who introduced new practices that transformed mature organizational fields. In their study of the broadcasting industry in the United States, they found that new practices were introduced by “shady” traders and small independent stations rather than by the players who had vested interest in institutionalized practices. In their study of the waste management field, Lounsbury, Ventresca, and Hirsch (2003) found that small niche players, such as non-profit recyclers, transformed the field by enabling the development of the for-profit recycling industry. How small players change mature organizational fields has not, however, been systematically explored within the current literature.

Moreover, theorists have also to date focused either on endogenous forces, such as actors, who, through the pursuit of distinct interests, de-institutionalize institutional forms (DiMaggio, 1988), or on external shocks, such as de-regulation, which facilitate change within a field (Oliver, 1992; Sine & David, 2003). An in-depth understanding of these processes requires that researchers consider how exogenous *and* endogenous forces combine to change fields. For instance, as mentioned in Section 2.1, Rao et al.'s (2003) study of “nouvelle cuisine” describes how initiator movements, stemming from an anti-authoritarian wave in France in 1968 (exogenous force), caused tensions between a traditional logic and a new logic in cognate fields (e.g., literature). As well, their study describes how processes, such as theorization of benefits (endogenous force), induce actors to abandon an old logic and an old identity for new ones when powerful actors drive the change. Therefore, in the case of niche practices, one should consider not only how niche players change organizational fields but also why they do so. Hence, a key question in this chapter is how do exogenous and endogenous forces combine to shape niche players' entrepreneurial opportunities and actions?

Finally, theorists exploring institutional change have focused on dominant logics, or rather the transition from one dominant logic to another within evolving fields (e.g., Leblebici et al., 1991; Thornton, 2004). However, this shift from one dominant logic to another is not the only possible outcome. Instead, a situation may occur where the new logic does not replace the older dominant logic but instead coexists alongside the old logic. Players may use both logics or different players within the field may opt to use one logic over another. This then generates hybridization (Rao et al., 2003) or sustained coexistence of multiple logics over time (Reay & Hinings, 2005, 2009; Purdy & Gray, 2010; Dunn & Jones, 2010).

To address these gaps, I draw on intensive qualitative research to understand the diffusion and institutionalization of new practices originally introduced by small players within a mature organizational field. The empirical case on which I base this article is a qualitative study of the creation and early

institutionalization of the Vintners Quality Alliance (VQA), a regulated quality standard and appellation system within the Ontario wine industry. The VQA standard represents the institutionalization of a new logic within the Ontario wine industry, namely, the production of 100% domestic wine. The new logic was institutionalized in a field wherein wineries mainly imported grapes and juice and, hence, bottled wines (old logic). These wineries in the bottling industry also tended to mix the imported content with low quality indigenous grapes grown in Ontario. However, the new logic does not replace the old logic. The logics instead currently coexist within the field.

I conducted a qualitative study for the following reasons. First, as in Maguire, Hardy, and Lawrence (2004: 657), the focal phenomenon – the institutionalization of a new logic introduced by small players – was not well understood. The VQA, a standard that embodies wine practices originally introduced and used to serve a niche market within the Ontario wine industry, has now become a widespread standard within the industry. Second, conventional understanding does not systematically explain why and how the coexistence of multiple logics arises. I want to understand how such coexistence may occur in a situation where niche practices gain widespread adoption while old practices continue to persist. Finally, I wish to develop a contextual understanding of influences that affect the persistence of institutionalized practices originally introduced by small niche players. Similar to Purdy and Gray's (2009: 356) study of emerging fields, I thus consider how field player actions and prevailing structures enhance and constrain the persistence of the new logic associated with the VQA. I ultimately consider how the new logic associated with VQA practices can persist alongside an old logic.

In this chapter, I aim to further the rapprochement between institutional theory and entrepreneurship research by considering both endogenous and exogenous forces when studying institutional change. First, I explore the conditions that affect and the action used to attain, the widespread diffusion and persistence of an institutional logic originally introduced by small niche players

within mature organizational fields. Thus, I explore the influence of small players' practices and logic on a mainstream logic within the field in a more systematic manner than that found in past literature. This is in direct response to Swaminathan's (1995) exhortation to consider niche market activity as a de-stabilizing force. Second, I consider change as involving co-existing logics within the field rather than the replacement of one dominant logic with another. Within this chapter, I thus explore the emergence and persistence of multiple logics within a mature organizational field.

## **4.2 Theoretical Background**

### ***4.2.1 Institutional Logics***

Institutional logics shape organizational and individual behaviour by providing systems of classifications. These classifications constitute categories for different types of organizations (e.g., Haveman & Rao, 1997) and individual behaviour. As mentioned in Section 2.2.1, institutional logics are “socially-constructed assumptions, values, and beliefs that define formal and informal rules of behaviour and guide interpretation about why certain structures and practices exist” (Friedland & Alford, 1991; Sine & David, 2003: 187). Essentially, logics guide the way individuals and organizations “produce and reproduce material subsistence, organize time and space, and provide meaning to their social reality” (Thornton & Ocasio, 1999: 804). Logics are embodied within organizational structures and practices.

Institutional logics affect behaviour when individuals or organizations identify with a collective identity of an institutional group such as an organization, profession, and field. “Collective identity is the cognitive, normative, and emotional connection experienced by a member of a social group because of their perceived common status with other members of the social group” (Thornton & Ocasio, 2008: 111). As members identify with a collective group, they are more likely to cooperate with, abide by the norms of, and seek to protect the interests of that collective group. Institutional logics also shape power

and status differences since, for instance, they shape and create the rules as well as the means in which power and status are gained, maintained, or lost (Thornton & Ocasio, 2008: 112). Institutional logics thus generate the conditions by which individuals can reproduce prevailing logics. This is the case given that institutional logics provide a set of values that order the legitimacy and relevance of issues and solutions. This provides decision-makers with an understanding of their interests and identities which then can generate a motivation for action (Thornton & Ocasio, 2008: 114).

Moreover, Thornton and Ocasio (2008: 103) claim that “the institutional logics approach incorporates a broad meta-theory on how institutions, through their underlying logics of action, shape heterogeneity, stability and change in individuals and organizations.” Key assumptions of the institutional logics approach include the following. 1) “Interests, identities, values, and assumptions of individuals and organizations are embedded within prevailing institutional logics” (Thornton & Ocasio, 2008: 103). Thornton and Ocasio (2008:104) suggest, however, that “while action is embedded in institutions, institutions are socially constructed and thus constituted by the actions of individuals and organizations.” 2) Institutional logics may develop at different levels of society. Thus, the creation, diffusion, and legitimation of new institutional logics within a field result from the interplay between three levels of society –“individuals competing and negotiating, organizations in conflict and coordination, and institutions in contradiction and interdependency” (Thornton & Ocasio, 2008: 104). For instance, Haveman and Rao (1997) found that changes in institutional logics at the societal level (i.e., the rise of Progressivism) influenced changes in organizational forms. Theorists have also emphasized how different levels, such as geographic groups or types of organizations, influence the institutionalization of field logics (e.g., Greenwood & Suddaby, 2006; Lounsbury, 2007). 3) Society is an inter-institutional system where sources of heterogeneity and agency can be observed in different societal orders. Hence, any context can be influenced “by contending logics of different societal sectors” (Thornton & Ocasio, 2008: 104).

4) Institutional logics are historically contingent. Thus, various logics at a given level (e.g., societal level) may have greater influence over others at different periods of time. For instance, Scott, Ruef, Mendel, and Caronna (2000) describe the American healthcare organizational field as influenced by many societal sectors over the years, from professional dominance to Medicare-legislation dominance (in the mid-1960s), to managerial control and market dominance (in the mid-1980s). In their study of the medical care profession from 1910 to 2005, Dunn and Jones (2010) found that emphasis on particular logics – care versus science logics - fluctuated over time.

In short, the institutional logics approach highlights how institutions both enable and constrain social action. This approach marries DiMaggio and Powell's (1983) theory of isomorphism, where action is constrained by coercive, normative, and mimetic processes imposed by institutions or organizations on field members, and theories that focus on the role of entrepreneurial action in shaping institutions (Zucker, 1977; Thornton & Ocasio, 2008).

#### ***4.2.2 Change in Institutional Logics***

The institutional logics approach is an inter-institutional system in which logics are characterized by contradiction (Thornton & Ocasio, 2008: 115). Contradictions, developing between institutions and their environments, other institutions, or social behaviour, often result in the rethinking of current logics and in actions that lead to their de-institutionalization (Oliver, 1992; Seo & Creed, 2002). Mechanisms of change in institutional logics or development of contradictions often involve institutional entrepreneurs and result in competing logics.

Oliver (1992: 564) claims that institutional change can be explained by: 1) “the failure of organizations to accept what was once a shared understanding of legitimate organizational conduct”; or 2) “discontinuity in the willingness or ability of organizations to take for granted and continually re-create an institutionalized organizational activity.” She (1992: 563) proposes political,

functional, and social mechanisms both within and beyond the organization as determinants of de-institutionalization or “the erosion or discontinuity of an institutionalized organizational activity or practice.” First, political conditions under which de-institutionalization may occur include: 1) “mounting performance crises” associated with prevailing institutionalized practices; 2) “a growth in the criticality or representation of organizational members whose interests and beliefs conflict with the status quo”; and 3) “a reduction in the dependence of institutional constituents that have encouraged or enforced continuing procedural conformity with their expectations” (Oliver, 1992: 567). These political conditions essentially contribute to the deterioration of consensus among organizations in the same field and, in turn, de-institutionalization. This is because consensus on the meaning and value “of an organizational form or activity is a fundamental condition of ongoing conformity to institutional practices” (Berger & Luckmann, 1967; Oliver, 1992: 569). Second, de-institutionalization of a practice may occur if technical and functional considerations tend to “raise doubts about the instrumental value of an institutionalized practice” (Oliver, 1992: 571). Functional pressures may result from: 1) changes in the perceived utility of a practice; or 2) re-distribution of power within the field (Oliver, 1992: 571). Such changes may occur when, for instance, institutional constituents withdraw rewards associated with using an institutionalized practice. Furthermore, they may occur when the economic gains associated with not using institutionalized practices are much greater than the legitimacy and social gains associated with following such practices. Finally, social pressures include disruptions to the organization’s historical continuity (e.g., merger) or changes in state laws that prohibit the perpetuation of an institutional practice. Thus, unlike political and functional pressures, with social pressures, organizations are not pro-active agents of de-institutionalization (Oliver, 1992: 575).

As outlined in Section 2.3.2, Seo and Creed (2002) proposed four sources of contradictions which cause de-institutionalization. 1) Conformity with institutional arrangements that according to theorists is required to gain legitimacy

(DiMaggio & Powell, 1983) may eventually be perceived by an organization as a source of “conflict with technical activities and efficiency demands” (e.g., Garud et al., 2002; Seo & Creed, 2002: 226). 2) Contradictions may arise when actors who are inadequately served by existing arrangements take action to change their current position (e.g., Garud et al., 2002; Seo & Creed, 2002: 229). 3) Conformity of organizations with certain institutional arrangements may create incompatibilities with behavioural expectations at different levels or sectors of society. 4) Contradictions may emerge when organizations are unresponsive to changes in their external environment created by such forces as a jolt. In brief, contradictions can force institutional change by blocking the reproduction of institutional practices by organizational field participants.

#### *4.2.2.1 Institutional Entrepreneurship*

Institutional entrepreneurs often facilitate the development of contradictions within fields by refusing to reproduce a legitimate practice or by developing new practices that, for instance, better suit their needs. Institutional entrepreneurs are “actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones” (Maguire et al., 2004: 657).

As mentioned in Section 2.2.2, DiMaggio (1988) claimed that only organized institutional entrepreneurs who possess sufficient resources are capable of introducing institutional change. Subsequently, many studies to date have described prominent players with high levels of resources as entrepreneurs within a field (e.g., DiMaggio, 1988; Hoffman, 1999; Garud et al., 2002; Greenwood et al., 2002; Lee & Pennings, 2002). Leblebici et al. (1991) instead found that radically new practices, which de-institutionalize prevailing practices or logics in a field, are most likely to be introduced by less powerful, peripheral players who are seeking to realize value from their transactions.

Institutional change is often a political process that “reflects power and interests of organized actors” (Maguire et al., 2004: 658). Thus, in order for



institutional entrepreneurs to diffuse the new practices they introduce in the field, they must also connect “their change projects to the activities and interests of actors in a field, crafting their project to fit the conditions of the field itself” (Maguire et al., 2004: 658). In Reay, Golden-Biddle, and Germann’s (2006) study of the health care system in Alberta, actors legitimized a new nursing practitioner (NP) position into established organizational systems and structures by using their knowledge of institutional contexts and actors. These actors’ embeddedness enabled them “to recognize and sometimes even create the ‘right time’ and the ‘right place’ to take action” (Reay et al., 2006: 993). They, for instance, introduced the role during a time when there was a shortage of medical residents. They also represented and classified the new position so that it became hooked into the system’s work procedures, resource allocations, and structures. For example, by classifying the position as nursing, not medicine, the actors trying to legitimize the role reasoned that it would help avoid NPs as temporary replacements for medical residents during the shortage (Reay et al., 2006: 986-987). These actors recognized that once the new ways of working were connected to the established system, it would be hard to eliminate them. Finally, the embedded agents knew enough about their coworkers within the organization to design new practices in a way that would gain their coworkers’ support (Reay et al., 2006: 993-994). They designed strategies that would enable other actors to see the value of using new practices not only to themselves but also to the patients.

According to social movement literature, institutional entrepreneurs gain legitimacy for new practices by: 1) leading “efforts to identify political opportunities, frame issues and problems, and mobilize constituencies”; and 2) spearheading “collective attempts to infuse new beliefs, norms, and values into social structures” (Rao, Morrill, & Zald, 2000: 240; see also Rao et al., 2003). Finally, entrepreneurs also gain acceptance of their new practices within fields by designing them in a manner that does not disrupt current social systems (Hargadon & Douglas, 2001: 476).

Past research has found that entrepreneurs use theorization (e.g., Greenwood et al., 2002) and collective action (Aldrich & Fiol, 1994; Greenwood et al., 2002; Maguire et al., 2004) to diffuse their new practices. As outlined in Section 2.3.3.1.1, scholars describe theorization as a “process whereby organizational failings are conceptualized and linked to potential solutions” (Tolbert & Zucker, 1996; Greenwood et al., 2002: 58). Furthermore, theorization involves the justification of those solutions (Tolbert & Zucker, 1996: 183). For example, Greenwood et al. (2002) found that large accounting firms were able to convince other field participants to accept new practices by presenting their profession as under threat due to external shifts in the marketplace. Furthermore, they used language that emphasized a moral obligation. By doing so, the entrepreneurs seemed less self-serving and, instead, appeared to promote the interests of the profession. Second, entrepreneurial cooperation with third parties, such as professional organizations, helps to educate established organizations of the value of new practices (Aldrich & Fiol, 1994; Greenwood et al., 2002).

Although many scholars have discussed change processes used by less powerful players in emerging fields (Aldrich & Fiol, 1994; Maguire et al., 2004) and large players in mature fields (Greenwood et al., 2002), how small institutional entrepreneurs create, diffuse, and ultimately institutionalize new practices in mature fields has not been systematically explored.

#### *4.2.2.2 Multiple Logics*

Theorists are beginning to identify situations where competing logics exist (Reay & Hinings, 2005, 2009; Lounsbury, 2007; Thornton & Ocasio, 2008). However, competing logics are ultimately presented in most studies as a temporary state that is resolved through competition between actors - usually incumbents - supporting an old logic and new actors supporting a new logic (e.g., Hoffman, 1999) (exceptions include Reay & Hinings, 2009; Dunn & Jones, 2010). It follows that “profound” institutional change within an organizational field has largely been described within current literature as a transition from one

dominant logic to another (Goodrick & Reay, 2005: 1). For instance, Thornton (2004) described institutional change within the higher education publishing field as a transition of logics from a professional logic to a market logic.

By considering power struggles between actors and fields organized around winning logics (Reay & Hinings, 2009), theorists fail to consider: 1) how change is influenced by various levels within a field; and 2) situations wherein multiple logics are sustained over time. Thornton and Ocasio (2008: 188) claim that the causal mechanism for change depends on a combination of market selection pressures, “power of institutional actors, and changes in relative prevalence of societal level institutional logics.” For instance, Scott et al. (2000) show how regulatory systems (logic of the state) greatly influenced the disempowerment of the medical professions (the powerful and high-priced MDs) and empowered the rise of corporate logics (e.g., managed care) in the Bay Area health care system. Furthermore, other studies emphasize how individuals or field members give the appearance of supporting new logics while continuing to act in accordance with old logics (e.g., Townley, 2002; Khan, Munir, & Willmott, 2007). For instance, Khan et al. (2007) showed how prevailing family and social logics competed with a newly introduced manufacturing logic. This resulted in hidden activities that supported the older logic.

Few studies, however, provide insight into how competing logics are sustained over time (exceptions include Purdy & Gray, 2009; Reay & Hinings, 2009; Dunn & Jones, 2010). One exception is Reay and Hinings’ (2009: 630) study of the Alberta Health Care System. They (2009) emphasize how a power struggle between proponents of two different logics led to an ‘uneasy truce’ between the two groups. The competing logics, namely, the government’s business-like logic (e.g., cost effective treatment, lowest-cost provider, and customer service) and the physicians’ medical professionalism logic (patient-professional relationship guided service provision), continue to coexist in the Alberta healthcare system to this day (Reay & Hinings, 2009: 630). Moreover, Dunn and Jones (2010: 114) found that multiple logics in the medical education

sector “are supported by distinct groups and interests” existing within the field. They (2010: 126) claim that “when multiple professions structurally overlap in a field, their competing knowledge, jurisdictional claims, and logics create the dynamics of institutional pluralism” (see also Kraatz & Block, 2008). Dunn and Jones (2010: 114) state that these multiple logics “fluctuate over time” depending, for instance, on changes in the field’s population (e.g., change in new entrants’ values). They (2010: 114) also found that multiple logics created “dynamic tensions about how to educate future professionals” within an organizational field.

#### ***4.2.3 Institutionalization of New Logics***

“Institutionalization refers to the processes by which societal expectations of appropriate organizational form and behaviour come to take on rule-like status in social thought and action” (Covaeski & Dirsmith, 1988: 562). Following Berger and Luckmann (1967), Tolbert and Zucker (1996: 181) describe the process of institutionalization as involving: 1) habituation – “the development of patterned problem-solving behaviours and the association of such behaviours with particular stimuli”; 2) objectification – “the development of general, shared social meanings attached to these behaviours; a development that is necessary for the transplantation of actions to contexts beyond their point of origination”; and 3) sedimentation – “the degree to which typifications are experienced as possessing a reality of their own, a reality that confronts the individual as an external and coercive fact” (Berger & Luckmann, 1967:58).

First, habituation involves the generation of new structural arrangements in response to a specific organizational problem. New institutional practices ultimately arise from “a combination of agency and institutional factors” (Reay et al., 2006: 978). These arrangements are then incorporated in the policies and procedures of a given organization or a set of organizations that confront the same problem (Tolbert & Zucker, 1996: 181). These new arrangements may be “tried out in a few locations” at first (Reay et al., 2006: 978). Furthermore, early adopters of new practices assert and believe that the use of such practices is right (Reay et al., 2006: 978).

Second, the movement, towards a more permanent and widespread status, rests on objectification. Objectification involves the development of some degree of social consensus concerning the value of new structures or new practices among organizations. This in turn leads to the increased adoption of those structures or practices on the basis of that consensus (Tolbert & Zucker, 1996: 182). At this stage, entrepreneurs must take action to help organizational or field members see the value in using new practices. Within an emerging field, Maguire et al. (2004: 674) found that actors were able to develop consensus surrounding the value of new practices and, in turn, institutionalize those new practices by aligning them with the values of diverse stakeholders. This helped create new field-level norms around the new practices. By developed microprocesses (e.g., creating opportunities to advance a new role, fitting a new role into established practices, proving the value of a new role to others), embedded actors in the Alberta health care field followed an overall strategy of achieving small wins (e.g., special ‘thank you’ from patients) to legitimize a new NP role (Reay et al., 2006: 993). By doing so, the actors helped other individuals within the system “gain confidence that the new role was a good alternative to the existing ways of delivering care” (Reay et al., 2006: 994). The objectification phase represents a semi-institutionalized phase whereby practices have acquired some degree of normative acceptance. In this phase, adopters “are apt to remain cognizant of their relatively untested quality and consciously monitor the accumulation of evidence on the effectiveness of” those structures or practices (Tolbert & Zucker, 1996: 184).

Finally, it is only at the full institutionalization phase - sedimentation - that actors’ propensity to engage in independent evaluation of the structures or practices decline. Sedimentation rests on the historical continuity of new structures or new practices, and their survival across generations of organizational members. Full institutionalization of structures and, analogously, of new practices “is likely to depend on the conjoint effects of relatively low resistance by

opposing groups, continued cultural support, and positive correlation with desired outcomes” (Tolbert & Zucker, 1996: 184).

### 4.3 Research Questions

I consider four questions within my research study. The first question involves ascertaining which actors will introduce new practices within a mature organizational field. Within extant literature, small periphery players have been identified as change agents. However, what types of periphery players engage in entrepreneurial activity is far from clear. Thus, my first question is: *Who introduces new practices within a mature organizational field?*

My second research question concerns the exogenous and endogenous forces that cause powerful players to accept new logics. Given that I have been considering how small players gain acceptance of a new logic, it is important to consider what forces cause large players, who owe their positions to the prevailing institutional structures and logic, to rethink the old logic and potentially accept a new one. My second question is: *What forces cause prominent players, who owe their positions to established institutionalized arrangements, to adopt new practices?*

My third question concerns the processes used by small players to diffuse a new logic. Theorists to date have suggested that entrepreneurs use such strategies as theorization and collective action to diffuse their new practices. As mentioned above, Greenwood et al. (2002) claim that large players in mature fields emphasize a moral obligation when attempting to get their new practices accepted by the field. However, questions still remain regarding types of action small, niche players take in order to diffuse and legitimate new practices when dealing with large players with high stakes in incumbent institutions in mature fields. Thus, my third question is: *How do niche players convince other participants within a mature field to accept new practices?*

My fourth question concerns how small players institutionalize new practices. As described above, Tolbert and Zucker (1996) identify institutionalization of new practices as occurring in three stages. However, how small players develop rules (habitualization), and how they build social consensus for their new practices amongst themselves and key players (objectification) within a mature field, has not been systematically explored. Furthermore, it is not clear how small players' practices are adopted within a mature field. Do large players readily adopt a new logic, a hybrid form of a new logic, or pretend to accept a new logic while still subscribing overtly or covertly to the old logic? And finally, what is needed to ensure that a new logic developed by small players will persist over generations of players (sedimentation)? Therefore, my fourth question is: *How does the early institutionalization of new practices originally introduced by small players occur?* Figure 4.1 lists the four research questions I consider within this study.

**Figure 4.1**  
**Qualitative Study Research Questions**

*Question 1: Who introduces new practices within a mature organizational field?*

*Question 2: What forces cause prominent players, who owe their positions to established institutionalized arrangements, to adopt new practices?*

*Question 3: How do niche players convince other participants within a mature field to accept new practices?*

*Question 4: How does the early institutionalization of new practices originally introduced by small players occur?*

## 4.4 Methods

My aim is theory elaboration, or to extend and refine current understanding of institutional entrepreneurship undertaken by small players in mature organizational fields. This research aims to better understand the processes used by entrepreneurs to create change, as well as the evolution of new practices

introduced by small players over time. This will be done through qualitative research. As outlined by Maguire et al. (2004: 660), qualitative research is “well suited to examining poorly understood phenomena and ill structured links among actors.” Furthermore, they (2004: 660) add that qualitative analysis is appropriate when researching institutional entrepreneurship because it “demands rich, detailed, interpretive analysis that takes into account characteristics of the particular context in which it occurs”.

#### ***4.4.1 Research Context***

The research context of my study is the Ontario wine field. In particular, I consider the creation and evolution of the Vintners Quality Alliance (VQA). The Ontario VQA “is a provincial regulatory authority that administers Ontario’s wine appellation system. Its primary functions are wine testing, audits, inspections, compliance. It also acts as a resource for independent information about Ontario’s appellations and wines of origin” (VQA Ontario, 2010a). As specified in Section 3.4.3, VQA recognizes designated grape-growing areas within the province. Its stipulations include: 1) wines must be made from the classic vinifera varieties (e.g., Chardonnay,) or from preferred hybrids (e.g., Vidal); 2) wines must contain at least 85% of a particular variety and exhibit that variety’s taste character in order to use the grape name on the label; and 3) all wines in Ontario are tasted during a blind taste test by a panel of experts to ensure authenticity and typicity (Aspler, 2006: 32).<sup>12</sup> Originally established as a self-regulatory body in the late 1980s, VQA Ontario eventually became a regulatory body under the Vintners Quality Alliance Act, 1999, on June 29, 2000.

I chose to study institutional entrepreneurship in the Ontario wine field because some theoretical issues were readily transparent in that field. First, my preliminary investigations revealed that small players had introduced the quality standard, VQA. In so doing, they created change in terms of how wine was produced and evaluated in the Ontario wine field. It was also apparent that certain

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<sup>12</sup> More information on the VQA is provided in Section 3.4.3



individuals were highly influential in this process. Second, the emergence of the VQA occurred in a field that existed for more than 100 years, where players had long stable relationships and where long-standing institutions influenced the wine field. In this study, a mature field is ultimately defined as a stable field. The Ontario wine field was stable at the time the VQA practices emerged given the following. 1) No new entrants were founded in the field from the end of Prohibition (which ended in 1927) to 1975. Indeed, the first winery license granted since Prohibition was granted to the founder of the VQA. 2) There was a pre-existing institutional logic in place when the VQA emerged; the logic associated with bottled wines made with imported content. 3) The VQA emerged in a field where there were long standing institutions. These include the main distributor of liquor run by the government, the Liquor Control Board of Ontario (LCBO), which was established during Prohibition and the grape marketing board, the Grape Growers of Ontario (GGO), which was established in 1937. The lack of new entrant foundings occurring from 1927 to 1975 and long standing institutions in charge of the supply of grapes and distribution of products suggests stable inter-locked relationships amongst the various participants in the field. Given the characteristics listed above, the Ontario wine industry is considered within this study as a stable and hence, mature field at the beginning of the study period.

Third, the VQA rules and appellation system embody most 100% domestic wine practices introduced by small players in the Ontario wine industry since the 1970s (e.g., use of higher quality European vinifera in VQA wines). Fourth, the new logic associated with VQA practices coexists alongside an older logic associated with bottled wine practices (wine made with imported content). As such, I was able to explore how small players' practices are not only introduced in a mature field, but how they are built upon and evolve alongside old institutions and their embodied logics. Finally, the fact that the history of the field was well-documented meant that I could draw upon numerous data sources.

#### ***4.4.2 Data Collection***

A primary source of data was interviews. A total of 49 semi-structured interviews were conducted, taped, and transcribed. 41 interviews were held with winery employees, among whom were individuals highly involved with the VQA (on the board or from its inception), the main industry association, the Wine Council of Ontario (WCO), and other industry associations. These 41 interviewees represent 48 wineries in all since some interviewees worked for companies that owned many wineries. Some individuals, for instance, are the head winemakers for many wineries owned by the same company. Eight interviews were also held with wine writers, government representatives involved with the Ontario wine industry, an academic professor involved in developing VQA rules, and two Ontario wine industry experts highly involved in Ontario wine industry organizations.

Initially, my interviews focused on players who were directly involved in the development and running of the VQA. First, I conducted a pilot study whereby I interviewed the person who created the VQA. During the pilot study, I also interviewed writers, government officials, and a university professor involved in developing, or were first-hand observers of, the VQA over the years. My interviews then focused on wineries - mainly those in the Niagara region - which were involved in the development of the VQA from its inception, as well as a variety of wineries founded after its inception. I then contacted and interviewed wineries in Prince Edward County (PEC), Lake Erie North Shore region, the surrounding Toronto area, and other regions within Ontario. The identification of initial interviewees was based at first on knowledge of the field. This knowledge was obtained through secondary sources of information and personal contact with these wineries at the 2007 Bacchus at Brock conference in the Niagara region. Initial interviews directed me to other wineries and key people to interview (snowball interviewing method). I continued this process until no new names were generated. Up to Fall 2008, I also obtained a list of wineries existing in Ontario from the Alcohol Gaming Commission which listed all the

wineries (establishments with a license to make wine) within the field. I contacted all the remaining grape wineries on the list that had not been contacted previously through the snowballing interview method. I also contacted individuals from industry associations involved with the Ontario wine field. Interviews also involved field participants such as government officials involved in regulating the VQA, running the VQA, or in creating policy for the Ontario wine field.

I first asked interviewees to briefly discuss their background in the wine field, as well as positive influences and hindrances in the field that they felt affects their business and/or the field in general (see Appendix II for interview questionnaire). These questions helped me gain a sense of the Ontario wine field. Furthermore, it allowed me to better understand important influences that helped shape the field (e.g., the Free Trade Agreement). I also asked interviewees questions pertaining to their thoughts on the VQA: 1) both past and current thoughts, such as why they joined the VQA; what they originally thought of the VQA; what they now think of the VQA (e.g., processes and outcomes); and what influenced its diffusion and its evolution; 2) expectations of the VQA; and 3) future direction of the VQA. The quotations that appear below are from the transcripts. I have disguised certain details to protect confidentiality in some cases where the interviewee wanted anonymity, or when key members of the VQA, who did not participate in the study, were mentioned.

I also collected a wide range of documents, including newsletters, brochures, annual reports of the WCO and Grape Growers of Ontario (GGO), and media articles. Second, like Maguire et al. (2004), in order to gain a deeper understanding of the history of the Ontario wine field, I consulted a wide range of secondary sources (e.g., Rannie, 1978; Aspler, 1999; Ziraldo, 2000; Mielzynski-Zychlinski, 2001; Schreiner, 2001; 2005, 2006; Ejbich, 2005; Sendzik, 2005; Phillips, 2006; Aspler, 2006). Finally, when visiting winery sites or when conducting in-person interviews, I made observational notes to collect information that could not be captured in interview or archival data (e.g., an interviewee's behaviour). Table 4.1 and 4.2 detail data sources used for this study.

<b>Table 4.1</b> <b>Qualitative Study Primary Data Sources</b>		
<b>Data Type</b>	<b>Number of Interviews</b>	<b>Total Hours (rounded to the nearest hour)</b>
<i><b>Semi-Structured Interviews</b></i>		
Total	49	63
Large wineries	2	3
Medium wineries	11	14
Small wineries	28	35
Wine writers	2	3
Government	3	3
Brock University Professor	1	2
Other	2	3
<i><b>Observations</b></i>		
Observations during in-person interviews	21	32

<b>Table 4.2</b> <b>Qualitative Study Secondary Data Sources</b>	
<b>Document Type</b>	<b>Number of Sources</b>
Books about the industry	11
Newspaper articles	205
Internet sites	50
Trade organization reports and publications	12
Miscellaneous documents and pamphlets	10

#### *4.4.2.1 Ethical Considerations*

McGill University has a Policy on the Ethical Conduct of Research Involving Human Subjects.<sup>13</sup> Such research must undergo ethics approval. This research project was approved by the Research Ethics Board I. The interviewee consent form is included in Appendix III and the transcriber confidentiality agreement in Appendix IV.

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<sup>13</sup> For more information on the Ethics review process at McGill University refer to: <http://www.mcgill.ca/researchoffice/compliance/human/>

#### ***4.4.3 Data Analysis***

Following Maguire et al. (2004), the first stage of the data analysis involved developing a narrative account that chronicled the emergence and institutionalization of the VQA (see also Eisenhardt & Bourgeois, 1988). I traced the evolution of relevant happenings associated with the VQA from its emergence to 2009. Following Garud and Rappa (1994: 349), a search was also conducted of bibliographies and electronic databases in order to collect manuscripts, papers, and articles on the Ontario VQA. A bibliographic database was created that consisted of secondary sources written from the mid-1980s (when the VQA began to be talked about amongst wineries) to the current date. This analysis helped me understand the debates and key developments in the field. Articles were analyzed in order to develop important points and themes associated with the VQA and the Ontario wine field in general.

Following Maguire et al. (2004: 662), in the second stage of the analysis, I identified the institutional entrepreneurs who initiated and led the VQA. By systematically analyzing interview transcripts and secondary sources of information, I identified a series of roles and activities that contributed to the emergence and institutionalization of the VQA, as well as the individuals who participated in them.

The third stage of the data analysis directly addressed my four main research questions using mainly interview data, as well as secondary sources of information and observations notes. I analyzed the data inductively (Glaser & Strauss, 1967). My inductive analysis was however stimulated by substantive theory. This helped me develop relevant categories and ideas (Suddaby, 2006).

The inductive approach I used followed techniques described by Suddaby (2006: 634). These include: 1) “constant comparison, in which data are collected and analyzed simultaneously”, and 2) “‘theoretical sampling’ in which decisions about which data should be collected next be determined by the theory that is

being constructed.” Essentially, inductive analysis and data collection were done, by and large, simultaneously (Suddaby, 2006: 637). In this process, open, axial, and selective coding was used. During open coding, data was broken down into discrete parts, closely examined, and compared for similarities and differences. This allowed for fine discrimination and differentiation among categories. In later stages of analysis, axial coding was used. In axial coding, data were reassembled through statements about the nature of relationships, which can be referred to as propositions, among the various categories and their subcategories (Strauss & Corbin, 1998: 102-103). In open coding, categories pertaining to phenomenon, conditions, actions, or consequences were identified. Later, these categories became subcategories which were linked to categories through axial coding.

“The categories researchers use in content analysis can be determined inductively, deductively, or by some combination of both” (Strauss, 1987; Berg, 2004: 272). An inductive approach begins with the researchers immersing themselves in the various messages in the documents in order to identify the themes that seem meaningful to the producers of each message (Abrahamson, 1996; Berg, 2004: 272). “In a deductive approach, researchers use categorical schemes suggested by a theoretical perspective, and the documents provide a means for assessing the hypothesis” (Berg, 2004: 272-273). As suggested by Berg (2004: 273), I relied heavily on induction to ensure that I presented the perceptions of others. “The development of inductive categories allows researchers to link or ground these categories of the data from which they derive” (Berg, 2004: 273).

However, as suggested again by Berg (2004), I did not undertake inductive analysis at the exclusion of deductive. As he states, “It is reasonable to suggest that insights and general questions about research derive from previous experience with study phenomena”, which includes scholarly experience (i.e., having read about it). In many cases, I used deductive approaches to understand the relationship between a theoretical concept (e.g., theorization and collective action) found in past literature and messages within such data sources as the

transcribed interviews. This helped me identify, for instance, what type of theorization small, niche players used to diffuse new practices within mature fields. It also allowed me to compare small players' theorization to theorization used by entrepreneurs featured in past literature. Furthermore, following Miles and Huberman (1994), I coded for a set of references (e.g., collective action, theorizing, network building, and political tactics such as lobbying) found in the literature to see whether these were used in introducing and diffusing a new practice. This method entails making a provisional "start-up" list of codes prior to fieldwork that may come from such sources as the literature and my list of research questions. I developed a short general provisional 'start up' list of codes prior to fieldwork which included theorization, collective action, and collaboration with key stakeholders.

In the final stage, selective coding was used to integrate and refine the theory. Examples of integration activities include developing diagrams and choosing a central theme. Refining activities include filling in poorly developed categories. After being immersed in the data for a while, and gaining a sense of what the research is about, I also wrote and rewrote a storyline to help me develop theory. This involved returning to raw data and rereading several interviews, not for detail, but to gain a general sense of the data. Following Strauss and Corbin (1998), during this process, I asked myself questions such as: 1) What is striking me over and over again in the data? And, 2) What is the main issue the interviewees are discussing (Strauss & Corbin, 1998:148)? I also sorted through memos I had written during the open and axial coding stages to look for clues on how to integrate my data. In my memos, I had written thoughts on patterns I had seen in the data and general statements about main concepts repeatedly noted in the data. In terms of refining my theoretical scheme, I also compared my overall theoretical scheme against the raw data to make sure that the theory explains, for instance, most of the interviewee cases.

Furthermore, I coded my data for process, that is, "sequences of evolving action/interaction, changes in which can be traced to changes in structural

conditions” (Strauss & Corbin, 1998: 163). I thus considered the actions/interactions surrounding the evolution (whether it changes or remains the same) of the VQA from its inception to now. I broke up the evolution process of VQA into many sub-processes which eventually became grouped into three sub-processes, namely, the introduction, diffusion, and institutionalization of the VQA. This last phase was further broken down into two sub-processes involving the VQA becoming enshrined in regulation and its persistence over time. Essentially, as outlined by Strauss and Corbin (1998: 169), I considered how actions/interactions/events within a phase and how the outcomes of a set of actions/interactions/events feed back into the context to become part of conditions influencing the next set of actions/interactions/events. I then developed diagrams, tables, outlines, and descriptive stories regarding the evolutionary process of the VQA. This analysis was used to develop theory.

An issue to consider when performing qualitative analysis, however, is “the interplay between research and researcher means that researchers are an instrument of analysis in qualitative studies” (Strauss & Corbin, 1998: 53). Researchers must thus take appropriate measures to minimize subjectivity in their analyses. Straus and Corbin (1998: 43) suggest that subjectivity can be minimized by first being open to, willing to listen to, and giving voice to respondents. Second, they suggest that researchers compare incident-to-incident to the data and turn to the literature to experience or find examples of similar phenomena. Turning to literature does not mean that it is used as data, but simply to stimulate thinking about properties or dimensions that can be used to examine the collected data. Another technique for gaining distance is to obtain multiple viewpoints of an event in order to attempt to determine how the various actors in a situation view it. They claim that it is important to interview or observe multiple and varied representatives of persons, places, and events. Researchers can also gain distance by gathering data on the same event in different ways (e.g., interviews and secondary sources). “The process of varying data collecting techniques and approaches is referred to as triangulation” (Strauss & Corbin, 1998: 44). By



obtaining varied meanings and interpretations of events, actions/interactions, and objects, one is able to build variations into one's theory.

Validity issues were addressed in this study through the following means.

1) Rich data collection: Taking verbatim transcripts of the interviews that were detailed and varied to provide a comprehensive picture of what is occurring or going on (Maxwell, 2005: 110). 2) Respondent validation: Soliciting feedback on my data and conclusions from the wineries (if the interviewee expressed interest). For instance, I sent a transcribed copy of the interviewee's respective interview and asked for feedback.<sup>14</sup> 3) Triangulation: Collecting information from a variety of sources (between-methods triangulation) and from various types of wineries (e.g., various sizes and age) located in different regions in Ontario (within-methods triangulation) (Patton, 2002; Maxwell, 2005).

#### **4.5 Findings**

The first stage of my analysis involved developing a chronology of events which outlined the emergence and institutionalization of the VQA. The narrative largely stems from the appearance of particular practices used as part of producing VQA wines. For instance, since VQA rules involve the use of vinifera or certain hybrids, which are 100% grown in Ontario, I looked at the very first use of such practices in the Ontario wine field. The chronology of events in the Ontario wine industry, which led up to the emergence and institutionalization of the VQA, may be found in the research site background chapter of this thesis (Chapter 3). In particular, Table 3.1 presents a chronology of events which led up to the emergence and institutionalization of the VQA Ontario. I also assessed the main changes in the Ontario wine field from the early 1970s to today. These changes have been emphasized in archival information and by interviewees as influencing the province's 100% domestic wine sector. Table 3.2 in Chapter 3 illustrates the main changes that occurred in the Ontario wine field since the

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<sup>14</sup> Not many interviewees were interested in receiving their transcript, and when they did, they provided very little feedback.

1970s. These include the following: 1) changes in type of wineries founded; and 2) changes in field rules and regulations.

In the second stage of my analysis, I identified a series of roles and activities that contributed to the emergence and institutionalization of the VQA. I also identified the individuals that participated in them (Maguire et al., 2004: 662). Table 4.3 lists these activities. I determined that 34 individuals and/or organizations had engaged in one or more of these activities. Following Maguire et al. (2004), I excluded individuals or organizations that were involved in only one or two of these activities, leaving the 15 individuals listed in Table 4.3. Again, like Maguire et al. (2004: 662), I returned to the interviews to examine actors' attributions of responsibility for the changed practices. Two individuals in Table 4.3 were mentioned most frequently as being instrumental in creating and guiding the VQA. The remainder of the article will refer to these individuals as Mr. Donald Ziraldo (by permission), and the other, for confidentiality reasons, will be referred to as "Mr. Chardonnay". I do not claim that these individuals alone engineered the creation and institutionalization of the VQA, but my evidence strongly suggests that they were central in leading the process and in enrolling the cooperation of other actors. For confidentiality reasons, the names of individuals and wineries mentioned in interviews will also be changed.

The third stage of the data analysis directly addressed my four main research questions. With regards to the first question – Who develops new practices that deviate from institutionalized ones within a mature field? - I ascertained attributes associated with interview references explaining who created and developed the VQA. With regards to the second question – What forces cause prominent players, who owe their positions to established institutionalized arrangements, to adopt new practices? – I assessed attributes associated with the reasons why a government official or large player would support the standard. I thus considered why a prominent player would fund or follow VQA rules. With regards to the third question – How do niche players convince other participants within a mature field to accept new practices? – I examined interviews and

secondary sources of information such as brochures to look for different ways in which the new practices were explained, justified, promoted, or distributed by the wineries at the time of its inception to when it became a regulatory body. From my analysis, I identified a number of strategies with which the entrepreneurs justified the VQA. In terms of theorization, I considered the reasons small players used to explain why certain field members should adopt the new standard. Furthermore, I considered why strategies such as collaboration were used. For both theorization and collaboration strategies, I also considered the audience targeted.

To address the final question – How does the institutionalization process of new practices, originally introduced by niche players, occur? – I examined the data for ways in which the VQA rules were institutionalized. Following such theory as Tolbert and Zucker's (1996: 181) institutionalization processes, I considered the following: 1) how the VQA became part of an organization's policies and procedures; 2) how social consensus among organizations concerning the value of the VQA arose; and 3) how the coercive processes (regulatory) associated with the VQA were put in place. I also considered what Tolbert and Zucker (1996: 184) define as sedimentation. They claim that full institutionalization occurs: 1) when actors' propensity to engage in independent evaluation of new structures or practices declines and rests on the historical continuity of those structures or practices; and 2) when it survives across generations of organizational members. I thus considered factors that affect the VQA's persistence over time.

**Table 4.3****Identification of Institutional Entrepreneurs**

Actor	Entrepreneurs working or owning wineries that used VQA practices when the VQA first emerged	Size of winery in which interviewee worked for at time of VQA creation	Came up with VQA idea	Director or on Board or Chair of VQA (decision-maker)	Instrumental in approaching government to offer the VQA as solution to FTA	Attended initial meetings to put VQA together	Participated in establishing VQA as a voluntary association	Participated in writing VQA rules	Promoted VQA	Instrumental in writing regulations	Instrumental in pushing to regulate VQA	Instrumental in creating subappellations	Total number of activities and roles
1	Yes	Small	Yes	Yes	Yes	Yes	Yes	Yes	Yes				8
2	Yes	Small		Yes		Yes	Yes	Yes	Yes	Yes	Yes	Yes	9
3	Yes	Small		Yes		Yes	Yes	Yes	Yes	Yes			7
4	Yes	Small		Yes		Yes	Yes	Yes	Yes				6
5	Yes	Small		Yes	Yes	Yes	Yes	Yes	Yes				7
6	Yes	Small		Yes		Yes			Yes			Yes	5
7	No	Large				Yes	Yes				Yes		3
8	Yes	Small		Yes		Yes	Yes	Yes	Yes				6
9	Yes	Large				Yes							2
10	Yes	Small				Yes							2
11	Yes	Small				Yes	Yes						3
12	Yes	Small		Yes		Yes	Yes					Yes	5
13	Yes	Small				Yes	Yes	Yes					4
14	Yes	Small		Yes		Yes	Yes	Yes	Yes				6
15	Yes	Small				Yes	Yes	Yes	Yes				5

#### ***4.5.1 Who Introduces New Practices within a Mature Organizational Field?***

My first research question focuses on who introduces new practices within a mature organizational field. As described in Sections 2.4.1 and 3.4.1, in the late 1970s to early 1980s, small, estate wineries decided to produce premium wines made with European or European hybrid varieties. In doing so, these estate wineries chose not to emulate the large, corporate wineries that were producing large quantities of wine made from indigenous grapes and imported content. Producing wine with European varieties grown in Ontario was not seen as an appropriate, desirable, or legitimate practice for the majority of field participants at that time. The Vineland Research Station discouraged wineries from growing higher quality vinifera grapes from Europe. It believed that those varieties could not grow in Canada even in the warmer southern Ontario regions. Moreover, grape growers did not want to grow European hybrid vines because their own low quality Labruscan grapes had high yields as well as a guarantee of government assistance (Mielzynski-Zychlinski, 2001). As such, the small, estate wineries developed practices that contradicted those of the institutional environment, but did not necessarily disrupt them on a large scale. Instead, they created a new niche sector within the wine industry<sup>15</sup> for 100% domestically produced wine.

These new estate wineries, introducing new practices, were mainly founded by or hired individuals from prestigious winemaking areas in Europe. These individuals recognized the grape growing potential in the Niagara region. Some of these pioneers believed that the region had similar conditions to such prestigious areas as Burgundy in France. According to one interviewee, these estate wineries had the expertise required to treat and protect the vinifera from such factors as disease. Although the previous generation of wineries dabbled with growing vinifera grapes since the late 1940s, they lacked such expertise. As another interviewee put it, European producers also made wines using practices from their own prestigious fields. They realized that the Canadian market was

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<sup>15</sup> “Firms are considered to be members of the same industry when outputs they produce are closely substitutable” (Barnett & King, 2008: 1152).

wide open, or like the ‘wild west’, in that they could use prestigious practices, but also experiment with those practices. The lack of restrictions, the pioneers’ vision and ability to grow quality grapes, and the increasing market for table wine inspired these European pioneers to go against common institutional thinking within the Ontario wine industry. Hence, these factors inspired them to introduce new practices in a mature organizational field.

These entrepreneurial practices were later enshrined in the VQA. The VQA was set up by Donald Ziraldo in the 1980s as a private corporation. One interviewee explains why Ziraldo wanted to start the VQA:

I think that’s initially why Ziraldo wanted to start the VQA. I think he had an order of Maréchal Foch going off to France, and they got sent back because there was no appellation system; and the French government said: “We won’t accept this wine.” So I know that when we started as a company ... exporting, icewines and wines, we needed to have an appellation system. Legitimacy. And so the VQA was that.

Although other wineries eventually got involved in his exporting efforts, it was Ziraldo who was the first to successfully initiate such efforts between fields.

Ultimately, Ziraldo’s idea to develop an appellation system in Ontario arose when he attended an international conference in Europe:

Where the VQA kicked in was ... the OIV, which is the Office International de la Vigne et du Vin ... was something that I always attended because I was interested ... in visiting those wineries and specific bodies. It governs appellations, which is what the VQA is, viticulture and enology. So the appellation system was of course interesting ... but meeting all the big stars and celebs and geniuses in winery issues is worth doing. And, I think there were 42 countries who were members ... And these trips were pretty amazing because they went ... everywhere ... But the amazing part ... these guys were talking about research they were doing in Russia in all varieties. The most decrepit wineries I’ve ever seen in my life. But ... all of these people ... big winemakers in France, (Mondavi was a winemaker) and all of them were there discussing wines and appellations. And these guys were talking about the Russians ... their great appellations ... How they compared to the great Bordeaux. That was really where the whole seed of the VQA was created in my mind. I said that every legitimate wine region in the world has appellations in origin.

Ziraldo presented the idea of establishing an appellation to the WCO, the dominant industry association at the time. The WCO supported the idea. In the mid-1980s, Ziraldo created the VQA as a voluntary, private organization in which wineries could participate. The director held the rights to the VQA trademark and participants had a say in running the VQA.

Essentially, the entrepreneurs were exposed to information in prestigious fields which they emulated in their own focal field. Due to his background and the actions he took to export his wines, Ziraldo, in particular, placed himself in a position similar to what Greenwood and Suddaby (2006) describe as a boundary spanning position and to what Burt (1992, 2004) describes as a structural hole.

First, Ziraldo's desire to export to more prestigious fields, and learn about their rules in order to do so, placed him in what Greenwood and Suddaby (2006) refer to as a boundary spanning position. A boundary spanning position essentially exposes a field player to logics in other fields, prompting reflection of logics in his own field. Moreover, it is a position which is not occupied by the majority of other members in the organizational field. Ziraldo explains how he placed himself in the boundary spanning position below:

Because you wanted to sell wines in Europe, and we had to have the same rules; if we didn't, that would be a perfect way for the Europeans to say you can't bring your wines into Europe ... same with the United States. So, I was always kind of looking to that point. And it also was kind of nice to be able to phone up and talk to all of the so-called experts and say: "Look we like to know how your rules work to make sure that we are doing it right." And there was a Madam [X] ... she was in charge ... of the Appellation Contrôlée d'Origine for the OAV, and she just thought it was a joke that Canada was going to try and do this. And she said: "Well, there is no way" ... and all that stuff.

The actions he took to export his wines to Europe eventually put him in a position whereby he had almost exclusive interaction with institutions governing wine appellation in more prestigious fields. The boundary spanning position he occupied confronted him "with new ideas and thus, stimulated awareness of alternative possibilities."; "an example of Seo and Creed's (2002) idea of

institutional incompatibilities” (Greenwood & Suddaby, 2006: 42). He essentially realized that if the “stars” and “celebs” could discuss wine production in a cold climate region like Russia, a place where he saw many decrepit wineries, then one could build a legitimate appellation system in Canada.

Entrepreneurs that hold boundary spanning positions tend to be or become less embedded than other players in their own focal field (Greenwood & Suddaby, 2006). Highly embedded players are those that are “unaware of alternatives, not open to alternatives, and without any motivation to change” (Greenwood & Hinings, 2006 in Reay et al., 2006: 978). Greenwood and Suddaby (2006) found that large players in the accounting field became more open to alternatives and developed motivation to adopt new alternatives through their boundary spanning positions. Ziraldo’s firm was a new entrant in the wine field. As such, Ziraldo’s firm was not highly embedded within its own focal field simply because of the firm’s newness. New entrants are not constrained by established practices (Reay et al., 2006: 978). This is because new entrants are not as highly connected to other players and are not benefiting as much from prevailing practices as prominent players in the field. The boundary spanning position held by Ziraldo further contributed to his firm’s low embeddedness in the field. In short, scholars have found that players with low embeddedness tend to be those that engage in entrepreneurial action (e.g., Leblebici et al., 1990; Greenwood & Hinings, 2006; exceptions include Reay et al., 2006).

Furthermore, Ziraldo’s boundary spanning position holds similar traits to Burt’s concept of structural hole. As outlined in Section 2.3.2.2, structural “holes separate nonredundant sources of information and thereby, constitute opportunities to broker the flow of information among actors and control projects that bring network participants together from opposite sides of a hole” (Burt, 1992; Rowley, Greve, Rao, Baum, & Shipilov, 2005: 504). Redundant contacts are those that lead to the same organizations, and so provide the same information benefits (Burt, 1992: 17). Actors focus on activities inside their own group, thus



creating these structural holes in the information flow between groups (Burt, 2004: 353). Actors with access to structural holes instead are able to explore the new opportunities gained through attaining enhanced information from other groups; groups that are relative to the collective actors whose exchanges they mediate (Burt, 2000; Rowley et al., 2005: 504).

With his knowledge of more prestigious fields, Ziraldo, in creating the VQA, follows a similar process to Burt's four levels of brokerage to create value within a field. Like Greenwood and Suddaby's (2006) concept of boundary bridging, however, he had access to a hole between two fields rather than one between two groups or two organizations within the same field, as described by Burt (1992, 2004; Rowley et al., 2005). Similar to Burt's four levels of brokerage, Ziraldo did the following. First, he had knowledge of his focal field and prestigious fields, helping him learn of market problems and/or happenings. Second, because he was familiar with activities in two separate fields, he was more able than actors confined to one field to see how practices and their embodied logic in one field can create value in the other. Third, he was able to draw analogies between the fields ostensibly irrelevant to one another. Actors, "who recognize that the way other groups think or behave may have implications for the value of operations in their own group, will have an advantage over those who do not" (Burt, 2004: 355). For instance, by visiting other cold climate regions with appellation systems that were praised by prestigious people in the wine world, he was able to see that such an appellation system can be implemented in Canada.

Finally, he was able to create the VQA through synthesis, such that his familiarity with activities in the two fields allowed him to develop new practices by combining elements from both groups. He did not simply emulate practices but customized it to the needs of players in the focal field. For instance, he thought that VQA wine should be made with higher quality European varietals used by prestigious fields. However, he also thought that VQA wine should also be made with some hybrid varietals not accepted in Europe but commonly grown in North

America. Still, VQA wine could not be made with the lower quality indigenous varietals such as Labruscan grapes. Furthermore, like high quality wines in more prestigious fields, winemakers were not allowed to dilute or sweeten their wines with such ingredients as water or sugar. This fourth step involves *bricolage*. As specified in Section 2.3.2.2, bricolage is when entrepreneurs combine elements from existing repertoires within other prestigious fields through imitation, and revise these existing models on the basis of their own expertise or experiences in their focal field (Douglas, 1986; Rao, 1998). The VQA rules were, however, developed together by a number of entrepreneurs who wanted to implement a quality standard and appellation in Ontario. As Ziraldo states: “We didn’t invent that [the VQA] we just had great ideas and made them Canadian, all based on very stringent regulations which always go back to the VQA.”

In sum, in terms of my first research question - *Who introduces new practices within a mature organizational field?* – and as proposed in my theoretical framework (Section 2.3.2.1), I found that entrepreneurs that hold a boundary spanning position, or are located on a structural hole that separates two organizational fields, are more apt to introduce new practices within a mature organizational field. Thus, my research echoes Greenwood and Hinings’ (2006) findings regarding how entrepreneurs’ exposure to non-redundant information or logics in other fields prompts entrepreneurial activity in their own focal field.

#### ***4.5.2 What External Forces Cause Prominent Players to Adopt New Practices?***

The second research question centers around what forces cause prominent players, who owe their positions to established institutionalized arrangements, to adopt the new practices introduced by small players. The catalyst for change in the Canadian wine field was the 1989 Free Trade Agreement (FTA) between Canada and the US. The FTA’s impact on the industry is described by an interviewee below:

This was a very protected industry ... There was a huge tax advantage for the domestic producers. And what they [the government] did was, instead of lowering the foreign producers’ taxes, they raised our taxes to meet theirs, and that’s how they created Free Trade. But what Free Trade did was jumpstart the industry; sort

of do or die ... We have to make quality [wine] and therefore get higher prices, focus on essentially vinifera varieties ... get competitive, and make wine that people want to pay for. I remember talking to the banks in Toronto ... but they ended up pulling our line of credit; talking of the VQA ... and saying, “No, there is a new industry happening here.” And they were just like, “What are you talking about, that thing is done.” It's pretty much most of the federal government, provincial government [believed that the] ... industry wasn't going to survive.... They gave the growers a pull-out program. There was some money put into the wine industry as well. But the idea was basically, sign them away and pay them off.

The FTA, in this case, is what extant literature describes as a jolt, which led players within a field to investigate the cause and symptoms of the crisis, identify problems and weaknesses within existing institutions, and search for new forms and practices (Meyer, 1982; Sine & David, 2003).

The VQA had already been created, since the mid 1980s, by Don Ziraldo when the FTA occurred. Ziraldo took the opportunity to present the appellation system as a solution to competitiveness issues that resulted from the FTA. He describes how this came about below:

You know, adversity is the mother of invention. So when Free Trade came in, we managed by putting the standards through the agreements. It was all negotiated ... that was a nightmare, 'cause the provinces wanted to be at the table, but they couldn't be because the feds negotiated with the French and the Americans during Free Trade. So it was like a circus because they [the provinces] were allowed to sit out in the room outside. So when the feds negotiated, they would come out and talk to the province. The province kept coming back saying, “Well, you know what we are going to do?” What we said was, “Well, the VQA standard” -- and they said, “Well, the farmers are going to go on with practices like [before]”. Too bad. If you want to be international and you want to compete to make quality, or you want to keep screwing around like ... New York State ... kept all that stuff, and they are still where they were 20 years ago. Free Trade decimated the industry but it got rid of dead wood. It had to be because they never [would have] survived. The government put money in.... Fortunately, it [VQA standard] was there. It was the right place at the right time. It was something the government can take and say, here's the VQA to represent Canadian wines, so let's separate the two. They picked it up and ran, and it was voluntary until 1999 ... but they were supporting it.

As Sine and David (2003) found in their study of the energy industry, the government, a prominent player, was more open to accepting the VQA – practices launched by small, estate wineries – after a jolt occurred.

Due to the nature of the wines they were producing, the small, estate wineries welcomed the FTA as described in a quote below:

When I came to [the estate winery] in February, 1984, we knew Free Trade was on the horizon. Experience told me that establishing a niche (European-style wines) for [the estate winery] in the marketplace would be at the top of my priority list.... To become recognized as a world-class wine-producing region, as well respected as Bordeaux and Burgundy, is the direction that [our estate winery] is pursuing, and we hope our fellow wineries will also focus on the objective.... I believe as Canadians continue to see [our estate winery] and other Canadian wineries taking prestigious awards in international competitions, and as they start to see them compete successfully with some of the world's most well-known wines, a feeling of patriotism toward wine and all Canadian products will emerge (Mielzynski-Zychlinski, 2001: 67-69).

Some large wineries also welcomed the changes that resulted due to the FTA. They liked that the government would have to fund programs for growers to plant better grapes such as European vinifera. After all, the industry crisis was caused by the government negotiating a trade agreement which removed historic protections (Schreiner, 2006: 18). The wineries at the time, including the large corporate wineries and a few of the small, estate wineries, negotiated funding from the Ontario government for an indigenous grape pull-out program. Because the large wineries contributed to this negotiation process, one interviewee, who worked for a large winery at the time, claims that the large wineries were not given enough credit in helping implement practices that paved the way for the VQA. He states: "As a result [of the pull-out program], all of these exceeded layers that, let's say, VQA ... allowed a lot of VQA to exist where they wanted to exist. So, Free Trade was the major change in the whole ... industry, as far as I am concerned."

Many interviewees described the large wineries as being skeptical of the VQA. The large wineries felt that it would bring negative attention to their current practices, and that growing vinifera in Ontario was simply not possible. However, one interviewee working for a large winery at the time describes how and why his winery did want to get involved in the VQA by, for instance, funding and producing the wines:

Well, only from the standpoint to improve what we thought quality, because at that time some of the smaller ones were coming out with horrible products. We felt okay if they can get involved here, that that will improve the product. And there is no doubt it did ... Everybody wanted to be there with VQA. The Liquor Board [the government run distributor] was all in favour of it. They [the Liquor Control Board of Ontario] would list anything that was VQA. They looked at where they wanted to go.... And I think that [product] should be improving all the time. And, that's around the world. If their products don't improve, they are going to get shoved aside, and I think Ontario is going to be that way ... If this is the way of improving product that's put out there, let's go with it. So, I wasn't necessarily out there with a flag [promoting VQA]. I just thought it was a good thing to do.

Furthermore, as described by another interviewee, the large wineries started producing VQA wines because they did not want the 'new kids on the block' or rather, the estate wineries, to establish a brand and reputation that would leave them behind. This was because consumers were beginning to demand what those 'new kids on the block' were producing – premium wines. Consumer appreciation for wine was growing and steering away from the sherries, the ports, and the fortified wines of the past. This was due to the growing number of Europeans in Ontario (Mielzynski-Zychlinski, 2001) and baby boomers demanding more sophisticated drinks other than fortified wines.

In terms of my second question - *What forces cause prominent players, who owe their positions to established institutionalized arrangements, to adopt new practices?*, I found that large players will accept new practices if there is: 1) growing consumer demand for products associated with new practices; and/or 2) government acceptance of new practices which in turn, result in resource and legitimacy gains for those that adopt those practices. Similar to scholars' findings in the past (Abernathy & Clark, 1985: 18; Swaminathan, 1995; Carroll & Swaminathan, 2000), my findings suggest that changes in consumer preferences may impose requirements which can only be met at first by new organizational designs or specialist firms. Hence, changes in consumer preferences are first discovered and served by new, niche organizations. Large players will move into that specialty sector or adopt new niche practices once they see market share growth within that specialty segment (Carroll & Swaminathan, 2000).

Furthermore, as identified by DiMaggio and Powell (1983), my findings also propose that field participants accept new practices as legitimate features of a field if prominent players, such as the government, accept those new practices. In terms of the VQA, prominent players accepted the standard because it was a solution to an environmental jolt. Furthermore, large, commercial players accepted the VQA, regardless of whether it came from small or large players, because it would improve the field overall. Its acceptance by consumers and the Liquor Control Board of Ontario (LCBO) (the main government run distributor) also meant that it would help improve their bottom line.

The acceptance of new practices by large players eventually leads to the widespread diffusion of such practices. This is the case given that field players tend to mimic powerful players (Meyer & Rowan, 1977). As one interviewee pointed out, the acceptance of VQA practices by large players further facilitated its popularity with consumers and thus with organizations wanting to sell to those consumers due to those large players' visibility. Essentially, they had the funds to promote VQA and the distribution of their products reached a larger market. As a result, they became a promotional vehicle for the VQA.

#### ***4.5.3 Institutional Entrepreneurship Strategies Used by Small Players in a Mature Field***

The third research question centers around what strategies small, less powerful players use to convince other participants within a mature field to accept their new practices. In mature organizational fields - characterized by stable pre-existing institutional logics and structures, interlocked relationships between participants (Maguire et al., 2004), and high levels of practice standardization - small players' new practices are not readily accepted by the more powerful key stakeholders within the field. Large wineries remained skeptical of VQA practices. One interviewee describes the situation below:

When we instituted VQA, and its inception as a voluntary [organization], which would have been in [the] mid-80s, I remember one of the larger winery executives saying, "Well, if that's Vintner's quality wines, and you make quality wines, then you know the other stuff is bad." I said, "No, it's not what I am implying, but it's

like the good seal of approval.” You know if you get it on your product, [that] doesn’t mean everything else is junk, but you had to start somewhere. There were always some reservations by the industry.

Even after the FTA, many large wineries still believed that quality European vinifera could not be successfully grown in Ontario, as Clifford Hatch Sr., whose family controlled Brights, one of the largest wineries, suggests, “The land in Niagara Peninsula is almost sacred, and yet the irony is there’s little you can grow there that’s economic” (Foster, 1991). As one interviewee put it, these big wineries selling wine for half a century were not going to ‘change overnight’. Therefore, these large wineries would directly question estate winery owners as to why they bothered owning their own vineyards. These large wineries believed that producing wines made from high quality European grapes grown in Ontario was not lucrative.

This suggests that it takes more than exogenous forces, such as a jolt or acceptance of new practices by consumers or the government, for large players to accept new practices. The question that thus remains is what actions do less powerful players use to convince key stakeholders to accept their practices. Such action is important, particularly if the more established players’ livelihood has depended on the old practices for many years, and if institutional thinking goes against the new practices proposed by the small players. In order to ease the powerful players’ fears and gain their acceptance, institutional entrepreneurs used two strategies. 1) They harmonized their practices with those in more prestigious fields. 2) They used what I call inclusive theorization and program design strategies. These inclusive strategies did not place blame on but rather complemented old practices.

#### *4.5.3.1 Harmonizing New Practices with Those in More Prestigious Fields*

From its inception, a frequent strategy used by the decision-makers (originally small niche players) running the VQA was to harmonize the VQA practices with those in more prestigious fields. One reason to do this was, and still is today, is to gain acceptance of Ontario wines in the international market. To Ziraldo, exporting his wines was important, in the mid 1980s when he introduced

the VQA, to gain recognition of his wines within his own organizational field. He believed that wine products needed to be successful internationally before they could be so in the domestic organizational field. He felt that this was particularly the case in Ontario with a terrible winemaking history. Indeed, Canadian winemaking first gained global attention, as well as Canadian attention, when, in 1991, an icewine produced by Inniskillin won first place at the biennial wine fair's Challenge Internationale du vin competition in Bordeaux. Their wine was one of only 19 awards for the 4,100 wines that were submitted that year by 40 countries (Aspler, 2006: 46). This led to many wineries setting aside vineyards to produce icewine. It also resulted in consumer demand for Canadian icewine abroad. An important impact of winning the award, and subsequent international success exporting Canadian wines, was a rise in demand for Canadian wines by Canadian consumers. Inniskillin's success led to a feeling overall in the field that we could build a prestigious wine region in Canada.

I propose that the VQA was more readily accepted by key stakeholders in the Ontario wine field because its founder, Ziraldo, proposed ideas that were already legitimate – “desirable, proper, or appropriate with some socially constructed system of norms, values, beliefs, or definitions” (Suchman, 1995: 574) – in more prestigious fields. Essentially, the entrepreneurs mimicked other prestigious fields and started an appellation system similar to that in Europe.<sup>16</sup> This included developing rules (using European vinifera to make wines) similar to those used in Europe. Ziraldo thus facilitated the adoption of the VQA, or acceptance of VQA practices, by adopting successful ones that had already been

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<sup>16</sup> The Appellation d'Origine Contrôlée (AOC) categorization in France guarantees authenticity of wine by defining origin, grape varieties, and some aspects of vine cultivation and winemaking (Simon, 2001: 164). The AOC is based largely on terroir – “a special set of conditions that contribute to the character of a wine” (e.g., soil type) (VQA Ontario, 2010m). Vin délimité de qualité supérieur (VDQS) wines, a category just below the AOC, are subject to varietal and yield restrictions, among others. Vin de pays is the most basic category and has rules that are sufficiently relaxed to allow producers to produce wine styles outside the AOC rules. This basic category has become popular with winemakers who want to experiment (Simon, 2001: 164).



used for centuries in prestigious fields. This enabled prominent players to see how implementing the small players' new practices could lead to similar success in their focal field as that found in more prestigious fields. Furthermore, it led consumers to believe that VQA wines were good since they followed 'tried and true' practices of more prestigious fields. Harmonizing new ideas with those in more prestigious fields is particularly important for small players who do not have the power to coerce others into adopting their ideas. Although past literature has described small players as adopting new ideas from other fields (e.g., Rindova & Fombrun, 2001), it has not systematically explored nor identified such harmonization strategies as helping these entrepreneurs diffuse new practices within their own focal field. Thus, I propose the following:

***Proposition 1:*** *Practices introduced by small players are more readily accepted by key stakeholders in a mature organizational field if harmonized with practices in other more prestigious fields.*

#### *4.5.3.2 Inclusive Theorization and Practice Design Strategies*

Small players' main methods of theorization did not portray old practices as under threat due to external shifts in the market. Instead, the small players designed their strategies to ensure that their new practices would complement the powerful players' old practices, and thus would not compete with those old practices. Therefore, the small players used strategies that would protect the powerful players' practices as well as help diffuse their new practices. In this case, the old practices and logic involve wine made with imported content (bottled wine sector) as well as mixing water, colourants, and sugar in wine. Wine made with high quality grapes grown in Ontario (e.g., European vinifera) and manufactured by Ontario wineries (domestic wine sector) represents the new practices and logic.

First, the smaller players never placed blame on the established players' practices for creating competitiveness issues with international wines in the face of the FTA. At the time, the established players' practices were of a lesser quality since they made wine using inferior indigenous grapes, and they sweetened or

diluted their wines. Furthermore, they made wine using imported content that was often not subject to any control measures. One interviewee explains this below by comparing Ontario with strategies used by other cold climate regions:

What happened in Oregon; it was handled much differently. Right out of the gates, they said, “Look, we are in a cool climate. We can only produce so many tons per acre. We can't possibly compete with California. We are Oregon wine, and we are more expensive as a result of that.” I mean, that’s just a matter of nature. We didn’t do that here because we couldn’t do it; because so many of our players played both games ... What we always agreed ... was we don’t do negative advertisement; we did positive. We talked about how great VQA; what the standards are; that it’s from Canada, etc ... We don’t go out and say, “Hey! That imported stuff is up to 30% water; up to 99% in certain areas imported content. Even that had been watered before it left.” ... It didn’t need to be done so negatively ... [the] objective wasn’t to slaughter the large producers.

They thus focused on the positive aspect of VQA simply wanting to educate consumers that there was a new wine sector in Niagara. They emphasized how those wines were made with local grapes and with various quality methods such as the use of high quality varietals. For consumers, they used a VQA logo as an indicator of their practices. These entrepreneurs emphasized and explained their rules and standards without pointing out the differences with other wines produced in Ontario.

As described by an interviewee earlier, when the VQA was first introduced, the larger players believed that the VQA logo implied that the wines they produced were inferior to VQA wines. Since the small wineries, as another interviewee claimed ‘wisely’, did not theorize their message in that way, the large wineries accepted the VQA. Such theorization differs from past literature that emphasizes entrepreneurs as first: 1) specifying new practices and their associated new logic as more appropriate than old practices and their associated old logic (Strang & Meyer, 1993; Greenwood et al, 2002); or 2) identifying an organizational failing for which new practices and their associated new logic are a solution (Tolbert & Zucker, 1996: 183).

Furthermore, like Hargadon and Douglas (2001: 476) suggest, small entrepreneurs in the Ontario wine field designed their products in a manner that

balanced forces accounting for the stability of social systems and those accounting for change. These small entrepreneurs did so by introducing the VQA through a per bottle system. Wineries could then produce both VQA wines and bottled wines using imported content. This type of structure was particularly important given that many of the large wineries bottling imported wines still believed that high quality European grapes could not be grown successfully in Ontario. They thus believed that import blending was critical regardless of the VQA's success in the market. By having a per bottle system, the institutional entrepreneurs allowed for large wineries to experiment with making VQA wines without the risk of giving up their lucrative old practices.

These inclusive strategies – introducing VQA per bottle and theorizing that did not emphasize the negative aspects of wine produced by large players – ultimately enabled the small entrepreneurs to convince skeptical, prominent players, whose livelihood depended on old practices, that their new practices were no threat to the old practices. This led to the acceptance of the new practices and logic by those prominent players. I thus propose the following:

***Proposition 2:*** *Small players that use inclusive strategies that complement (not compete with) established players' practices are more likely to have their new practices adopted within a mature organizational field.*

When trying to diffuse new practices, Greenwood et al. (2002) found that prominent players used theorization. They framed the need for change as a moral obligation. For instance, the accounting firms promoted their interests by emphasizing how the profession had to change in order to meet customer needs. In so doing, the entrepreneurs seemed less self-serving or opportunistic and, instead, appeared to promote the interests of the profession. Other studies demonstrated the importance of mimetic processes whereby a firm's adoption of new practices is based on earlier choices of successful organizations within the focal field as facilitating change (Haveman, 1993; Haunschild & Miner, 1997). For instance, Haveman (1993) found that savings and loan organizations moved into new market niches after large, successful organizations occupied those niches. In the VQA's case, in which mimetic processes of powerful, successful

organizations were at first nonexistent, small players influenced other stakeholders' decisions to accept the VQA through theorization or, more specifically, through framing. Framing aligns stories with core values in a manner that ensures the integrity of a profession/industry be maintained or improved, and/or emphasizes a moral or pragmatic obligation for change. Frames are particularly important because they "define the grievances and interests of aggrieved constituencies, diagnose causes, assign blame, provide solutions, and enable collective attribution processes to operate" (Rao, 1998: 917).

These small wineries used theorization that emphasized a moral obligation to consumers, stating that the VQA appellation provides "truth in labelling". An example of other ways in which entrepreneurs framed the need for new practices in the field is described below:

[The founder of the VQA is] an extremely capable marketer ... [He] was very much someone who recognized that [the VQA] could really move forward in a significant way in Canada. And, was quite convincing with the winery owners and the winery managers of the larger wineries ... even if they didn't entirely believe that it was the way of the future - and there certainly were a few of the key players who said, at the time, that it would never amount to [ever being]. There was a really important article ... [featuring Mr. Vidal, the head of the biggest winery in Canada at the time] ... [published in] early ... 1991 ... [who said that] we couldn't compete with our own grapes ... That import blending is absolutely critical for that reason, and there's no option ... [The founder of the VQA] was very persuasive. "If you believe that, that's fine ... but if you want to be able to produce some higher price point wines to sell in your stores ... [with] VQA accreditation of the quality, with the VQA sticker ... By having the image of Ontario wines moving ahead so that you're actually able to charge more money for the wines and compete more effectively with the imported product, this is very definitely something you should do, and something every major wine region in the world has done in order to ensure their quality and authenticity."

As described in the example above, unlike the accounting firms in Greenwood et al. (2002), the small entrepreneurs did not solely emphasize a moral obligation for change. Instead, Ziraldo theorized a pragmatic need for change when trying to persuade the large players in the field to adopt the VQA. The VQA would enable the industry to charge higher prices for wine. They also emphasized how it would help wineries survive FTA. The entrepreneurs thus used pragmatic theorizing,

which illustrated how the new practices and logic would serve their own interests, as well as those of the large wineries. Furthermore, Ziraldo also emphasized the benefits attained by prestigious regions which have an appellation system. This responds to Greenwood et al.'s (2002: 75) call for more research in commercial settings, wherein organizations may stress "the results obtained elsewhere" to sell their new ideas. Thus, I propose:

***Proposition 3:*** *Small players that use pragmatic theorizing that emphasizes how their new practices will serve the needs of established players are more likely to have their practices adopted within a mature organizational field.*

***Proposition 4:*** *Small players that theorize the positive results obtained in prestigious fields through use of their new practices are more likely to have those new practices adopted within a mature organizational field.*

In sum, in regards to the third research question - *How do niche players convince other participants within a mature field to accept new practices?* - small players convince other participants to accept their new practices in a mature organizational field through: 1) harmonizing these practices with those in more prestigious fields; 2) using inclusive strategies; 3) using pragmatic theorization; and 4) emphasizing positive results obtained elsewhere. These findings differ from past research that focused on large players in mature fields where players, for instance, used theorization that emphasized a moral rather than a pragmatic obligation. Furthermore, in Greenwood et al.'s (2002) study, large players trying to diffuse new practices made a case for the adoption of those practices by pointing out problems with prevailing practices rather than protecting those prevailing practices, as was the case in this study's findings.

#### ***4.5.4 Institutionalization of New Practices***

The last question centers on how practices, which are introduced by small players within a mature organizational field, become institutionalized. Or, how do practices introduced by small players "come to take on rule-like status in social thought and action" (Covaleski & Dirsmith, 1988: 562)?

#### *4.5.4.1 Normative Processes – Building Social Consensus among Key Stakeholders within the Field*

Small, niche entrepreneurs that created and developed the VQA gained normative acceptance of their practices through: 1) using collective action; 2) collaborating with key stakeholders within the field; and 3) coupling symbol with substance - informing key stakeholders about their products through certification symbols.

##### *4.5.4.1.1 Collective Action among Small Niche Entrepreneurs*

As found in past studies (Aldrich & Fiol, 1994; Greenwood et al., 2002), entrepreneurs used collective action to diffuse new practices and achieve widespread social consensus surrounding those particular practices. By cooperating with one another, entrepreneurs shared information to improve niche, market conditions, strengthened their products, and promoted awareness of their emerging sector (Rindova & Fomburn, 2001). This then led to legitimacy of that emerging sector. In the case of the VQA, estate wineries collectively wrote the rules specifying what was to be VQA wine. Meetings were also held with all wineries at the time to obtain their input in the process. They also collectively approached prevailing institutions and organizations involved with the wine field to help diffuse their new practices. An example of the collective action taken is described by one interviewee:

We have been able to go as an industry to the LCBO and say, “Hey you[’ve] got to put a section there for VQA wines and Niagara Peninsula.” And we[’ve] got to promote this stuff, so we are able to go as a group. Because if I went as [X winery] to the LCBO and said, “We have got to do a promotion around [X winery]” 20 years ago, they would have said, “I don’t think so; you are too small.” But if we[’d] said, “Hey, we[’ve] got to do a promotion on VQA. Look, there are five to eight wineries here that can collectively put some wine into it.” They went, “Ah, that’s a great idea.” So we have created sections, distribution. That was huge, and the LCBO is a big partner for us.

Furthermore, by writing the VQA rules together, the estate wineries developed a new structural arrangement, or set of practices, to confront the competitiveness issues that they faced as a result of the FTA. Tolbert and Zucker (1996: 181) classify the generation of new structural arrangements that are in response to a

specific organizational problem, and the formulation of such arrangements in the policies and procedures of a given organization or a set of organizations that confront the same problem, as the pre-institutionalization stage - habitualization.

#### 4.5.4.1.2 Building Coalitions and Collaboration with Key Stakeholders

Entrepreneurs built consensus around the VQA by involving key stakeholders. These stakeholders included grape growers, the media, wine writers, and restaurateurs who could promote VQA wines to customers, the LCBO, and the industry lobbying group, the WCO. Given the field's poor reputation for winemaking in the past, it was important to include these stakeholders at the table in order to convince these stakeholders that premium wines could be 100% domestically produced in Canada. Canadian wine in the past was mainly sold due to the wines' low price points. After the FTA, these low price points could no longer be maintained. As mentioned in an earlier quote, this was because the government decided to raise Canadian wine taxes to match those for foreign wine rather than lower taxes on foreign wine. Thus, as proposed by Maguire et al. (2004: 671), institutionalization of new practices by small players in mature fields required "developing stable coalitions of diverse stakeholders" to build consensus of the value of those practices within the field. With the use of such "political tactics such as bargaining, negotiation, and compromise" (Maguire et al., 2004: 671), this could take place. The stakeholders would share their ideas and negotiate rules surrounding the new practices which suited the Canadian wine industry as a whole. An interviewee explains below why collaboration was so important when developing the VQA:

So I always went to the industry. I went to the Wine Council and I went to the Canadian Vintners ... You can be different but bring it to the table and we will work it out. It's a democracy and hopefully the best idea will win in the end ... the LCBO [was] at the table ... Mr. X [a prominent wine writer was at the table] ... And then we had a restaurateur [at the table] ... we had a grape grower [at the table].

By inviting the stakeholders to participate in the development of the VQA, the wineries created what Tolbert and Zucker (1996) identify as objectification or, the building of some degree of social consensus among organizations concerning the

value of the VQA. This resulted in the increasing adoption of the VQA by organizations on the basis of that consensus as more and more members learned about the VQA as a solution to the competitiveness issues caused by the FTA. This type of consensus-building enabled the VQA to achieve normative acceptance.

Furthermore, small players' cooperation with third parties such as professional organizations helped to educate or influence established organizations of the value of the VQA. This in turn led established players to include it in their systems. Entrepreneurs introducing the VQA used the industry lobbying association, the WCO, to convey their ideas to the government. This provided the VQA with marketing funding which was channeled through the WCO. Collaboration with key industry associations is an important step in achieving normative acceptance of new practices since those organizations help define and promulgate normative rules (Greenwood et al., 2002).

Entrepreneurs also made sure that they worked with existing government agencies, involved in the distribution and supply side of manufacturing wine, in order to ensure the VQA's success. LCBO experts tested the VQA wines for technical deficiencies through laboratory analysis, and typicity of wine through a tasting panel. Because the tasting panel was an independent body run by the government, this helped legitimize the standard and build consumer confidence in the product. The LCBO panel was essentially described by an interviewee as very well-trained in the assessment of wines.

In sum, as described by one interviewee, there were two parts to creating the VQA. The first involved writing the rules and regulations together as a collective. This was important given that, prior to the VQA, one could place the words 'Niagara Peninsula' on a bottle when the grapes were in fact grown in another country like Chile. The second involved an independent tasting panel. The panel was set up so that it was not the industry itself, but someone outside the market that was certifying the wines as being quality products. This factor was



necessary in order to overcome Ontario's poor winemaking reputation, as well as to position the VQA wines as high-end wines.

#### 4.5.4.1.3 Coupling Symbol with Substance: Certification Symbols

The entrepreneurs used a certification symbol, VQA, which they placed on their bottles, to inform consumers of their efforts to improve Ontario wine products. One interviewee provides an example of how the symbol was used and why it was important:

We [winery owners] spent a lot of time in Toronto promoting VQA. Promoting - like going around to all the top restaurants - and trying to talk to them. The first restaurant that ever bought our wine was [X restaurant] ... [it] is one of the top restaurants in Toronto. And nobody carried Ontario wine in those restaurants. And I remember selling the wine, and then, finally, we created the VQA logo, sticker. So I bought a roll of those things, drove in, this was a month or two later, and asked the [restaurant representative] there, "Can I go into your refrigerator and put these stickers on the bottles?" That's how committed we were at that point to get that message out. I literally went into his fridge and stickered the bottles, so that at least when a bottle came to the table, that symbol was there. So we were all doing that, I mean, I am sure ... other people were doing that. We were very passionate about getting this message out. It's also about slaying dragons. We are trying to say, "No, we can overcome this terrible reputation we have." We had to really teach everybody that we can actually make a good wine here.

These small entrepreneurs used a symbol to gain acceptance of their new practices and logic by key stakeholders in the field such as consumers. As mentioned by an interviewee earlier, the VQA symbol was "like the good seal of approval. You know if you get it on your product, [it] doesn't mean everything else is junk, but you had to start somewhere." The VQA certification system enabled the wineries to demonstrate their superior "performance relative to the performance of others" (King, Lenox, & Terlaak, 2005: 1092); others such as the large, commercial players that made inferior quality wines in the past. This symbol also helped stakeholders distinguish "superior but unobserved characteristics" of VQA wines from non-VQA wines (Barnett & King, 2008: 1155). They were able to communicate to consumers, for instance, that quality wines made with 100% domestically grown grapes could be made in Ontario in

regions like Niagara. Lacking such information, consumers might assume that there was no effort on the part of the wine industry to improve the quality of domestic wines (Barnett & King, 2008: 1156). Not communicating this information would have been devastating in the Ontario wine field, especially given its reputation and the competitive issues caused by the FTA. The VQA symbol also enabled these small entrepreneurs to communicate their efforts in improving 100% domestic wines in a way which could avoid putting down old practices used by commercial wineries. In so doing, they avoided action that could have led to inevitable prominent player resistance.

Barnett and King (2008: 1156) claim that institutional participation may act as a market signal to stakeholders if such participation credibly reveals to those stakeholders desirable information that they may not otherwise have observed. One means of doing so is by hiring a credible third party to certify practices endorsed by that institution. This follows an institutional perspective of reputation that argues “that certain actors, such as institutional intermediaries ... have superior ability to disseminate information by virtue of their institutional roles or structural positions ... making some organizations more salient and central in the public mind” (Rindova, Williamson, Petkova, & Sever, 2005: 1034-1035). Indeed, Sine, David, and Mitsuhashi (2007: 580), in their study of business ventures reaching operational start-up, found that entrepreneurial ventures that hold “a certificate from [an] authorized institutional actor indicating that the project meets all required conditions” are more likely to be accepted by key stakeholders. However, Sine et al. (2007) suggest that certification may be effective even if it does not provide new information to consumers, as long as it comes from a recognized authority. In the case of the VQA, the small wineries recruited a credible third party, the main distributor run by the government, the LCBO, to certify their wines.

Moreover, as the interviewee above states, the wine industry had to prove that it produced quality wines that were 100% produced in Ontario. The self-regulatory body thus set high standards that were comparable to those in more

prestigious fields. These standards often surpassed those used by the LCBO when testing international wines. As described by one interviewee, it represented a high standard wineries tried to achieve: “We worked with the LCBO to do a tasting panel to make sure that if there are faulty wines ... and I just remember in the early years just [being] on pins and needles wondering whether our wine will pass the testing.” Rules at first entailed that VQA wines would be mainly produced with higher quality, European varietals. In a cold climate region like Ontario, this meant that they would have to deal with low grape yields and high costs rather than aim for high volumes of wine using lower quality varietals that were better suited to cold climates. As one interviewee describes below:

Right across the board, we tried to set standards that reflected international standards in every way, shape, and form, with a very serious tasting panel that actually had taste and could reject things, which wasn't always the case in the European systems at the time. And with standards of ripeness that paralleled even higher than regions of climatic conditions in Europe, and a lot of efforts were made to maintain the quality. It could be argued certainly ... that it was done at the expense of quantity ... We had people that wanted to have – for example, as a grape variety that was included in the standards – that wanted to have all of the other French hybrids included ... During the arguments around the table at that time, in setting VQA rules and regulations, we recognized that we were setting standards that would limit the amount of wine that could go into this in a fairly significant way. There were large volume things that just were not going to get there, even though the quality of wine might be pretty good.

By developing standards that exceeded those in Europe, the VQA wines, it was hoped, would gain a reputation among consumers. This in turn would allow the VQA and its embodied logic to achieve legitimacy in the eyes of those consumers. This follows the economic perspective of reputation which views it “as a function of the information asymmetries between competing firms and their stakeholders.” Firms reduce such information asymmetries or market uncertainties “when they make choices that reveal their ‘true’ attributes” (Rindova et al., 2005: 1034).

In sum, as mentioned by the interviewee above, the VQA was about providing the consumer with ‘truth in labelling’. This was done through both the institutional and economic perspective of reputation, that is: 1) by recruiting a

prominent institutional intermediary to certify the product; and 2) by including high standards in the certification process. These small, niche entrepreneurs were thus able to institutionalize the VQA by what I describe as coupling symbols from a credible third party with substance - certifying only high performing products (King et al. 2005, 1103). Furthermore, they were able to institutionalize the VQA by setting high standards that surpassed standards set in more prestigious fields. I thus propose the following:

***Proposition 5:*** *Small players institutionalize new practices within a mature organizational field by coupling symbol, which is disseminated by a credible third party, with substance.*

***Proposition 6:*** *Small players institutionalize new practices within a mature organizational field by setting high standards which surpass standards set in more prestigious fields.*

#### *4.5.4.2 Becoming a Coercive Reality*

Eventually, a self-regulated VQA system - “humanly devised constraints that structure political, economic, and social interaction” (North, 1990: 97) - was developed. The VQA was a voluntary, private organization that was run by the industry. Members established the self-regulated body in the face of the FTA which threatened their existence. As Barnett and King (2008: 1152) found in the case of the chemical industry, the wine industry seemed to share an intangible commons that bound their fate together. When this commons was damaged by the FTA and hence a serious threat was posed to the success and survival of the firms that shared this commons, a self-regulatory institution was formed. This helped protect these firms and thereby increased the probability of their survival (Ingram & Inman, 1996; Barnett & King, 2008: 1151). Essentially, the wineries started the self-regulatory institution to create winemaking rules that enabled them to compete with international wines. The standard itself and social networks created through the self-regulated body acted as conduits by which firms learn ways to improve product performance. Furthermore, the self-regulated body provided a forum for the transfer of valuable information. The formation of the standard also created and codified new values and norms that became adopted by participants

(King & Lenox, 2000: 701). Consequently, the self-regulated body encouraged collectively valued behaviour through both mimetic and normative measures.

Although the VQA as a voluntary body helped increase the quality of wines made in Ontario through establishing common rules for these newcomers and earlier generations, it was not yet a coercive fact. Hargrave and Van de Ven (2006) claim that entrepreneurs must enact institutional arrangements, that is, use political strategies such as lobbying to legitimate their practices. These political strategies often help protect existing or new industries by, for instance, having a third party to enforce those rules and shape competition among field members. Ingram and Rao (2004), in their study of the enactment and appeal of the anti-chain legislation in the United States, provide an account of the central role such enactment took in establishing tax laws. These laws were designed to drive chains such as Wal-Mart out of business, as well as the countermobilization by chain stores to rescind these laws. The pro-chain stores ultimately won the battle, however, by developing national alliances with sympathetic actors, and appealing successfully to the U.S. Supreme Court to repeal unfriendly state laws. King and Lenox's (2000: 698) study of the Chemical industry highlights "the potential for opportunism to overcome the isomorphic pressures [informal means of coercive, mimetic, and normative pressures] of even powerful self-regulated institutions". They (2000: 698) thus conclude that "effective self regulation is difficult to maintain without explicit sanctions."

While more recent literature focuses on the creation and forestalling of sanctions on industry through self-regulation (e.g., Barnett & King, 2008), the question that still remains is: What leads self-regulated firms to seek formal sanctions imposed by government? In the case of the VQA, small entrepreneurs involved in its creation sought to enshrine the standard in regulation. They sought to do so for the following reasons. First, following a strategy they used from the beginning, the entrepreneurs wanted to enshrine the VQA in regulation to imitate other appellation systems in more prestigious fields which were also governed by the government or an independent third body. This was a means of gaining

acceptance of Ontario products within markets that had such appellation systems.<sup>17</sup> Second, as a self-regulated body, members could not really enforce rules; as one interviewee put it, “if somebody stepped [over] that line, you couldn’t do anything about it.” Regulating the VQA helped prevent opportunism particularly by the more commercially oriented wineries. One interviewee describes the situation:

It was a disadvantage for us to have it just as an industry association. So, the objective was to get it there. And also, for the purpose of international trade, by and large, they wanted federal regulations, not provincial regulations ... Wine couldn’t be shipped from Germany to other countries in the world because there was a Bavarian standard, for example, for wine. And, it needed an international standard to be accepted within the EU and elsewhere. The trend was that, that had to be a national standard to be accepted ... With some exemptions on some products that have allowed us to sort of move forward anyway, but not as freely as we’d be able to if we had an internationally recognized standard.... The movement of the appellation and quality part of the standard to a government body, I always thought, made sense from a purely marketing point of view. Also because it removed it, to a certain extent, from more blatant efforts by more commercially oriented wineries to bend rules when they could, and slow down the advancement of rules as much as they could to their commercial advantage.

Finally, regulating the VQA enabled VQA wines to gain further legitimacy in the eyes of consumers as a guarantee of quality and origin; an important step in a field that originally had a bad reputation for producing wine. As another interviewee put it:

Legitimate and transparent ... the customer knew like every other appellation system that it’s just not me and my buddies here telling you. That’s why I use this analogy if you get into an elevator on a 50-storey building ... do you want the elevator industry to tell you that thing is safe or [do] you want the government to tell you it’s safe?

Regulatory measures thus protected the industry from corruption, as well as helped the VQA gain further legitimacy in the eyes of consumers.

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<sup>17</sup> Imitating other appellation systems in prestigious fields was hoped to help build a national appellation system and ensure access to export markets that demanded particular standards be put in place before the acceptance of the product (e.g., Europe). Due to disagreements between players in various provinces, a national appellation system has not been put in place.

Rao (1998) claims that why one institutional form is chosen over another hinges on power and social structure. As argued in Section 2.3.3.3, because of their vast resources, large commercial organizations have been known to force immediate relational networks to adapt to their processes or attempt to build their goals and procedures in society as institutional rules (Meyer & Rowan, 1977). Because institutional change is expensive, powerful players, who have the resources and have a strong interest in maintaining their power, are ultimately able to “profoundly” change institutions within the field (DiMaggio, 1988). Small players are not able to coerce others to adopt their practices. Instead, my findings suggest that, unlike large players with vast resources, small players must seek to enshrine their rules in regulation in order to get the government to enforce sanctions that would hinder corruption of their practices.

Ultimately, the entrepreneurs wrote the regulations, and through the WCO with its strong ties to government, managed to get the VQA regulated or enforced by the government.<sup>18</sup> Thus, I propose the following:

***Proposition 7:*** *Small players institutionalize new practices by enshrining them in regulation and, in turn, by seeking government enforcement and sanctions in order to ensure the long-term preservation of those practices.*

Around the same time that the VQA became a regulatory body, it also evolved from a voluntary standard to what many wineries now call a mandatory standard. The Ontario government allowed VQA wines to bypass the LCBO and thus, the 58% markup the LCBO charged when directly delivered to licensees (e.g., hotels and restaurants). Wineries have to produce VQA wines in order to make a profit when selling to restaurants. Moreover, licensees are an important distribution option for many small wineries since they cannot get general listings at the LCBO due to its volume quotas. Hence, most small, new entrant wineries

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<sup>18</sup> In 1998, VQA Ontario was incorporated as a not-for-profit corporation. This was done in order to prepare for the implementation of the Vintners Quality Alliance Act 1999. Under the Act, VQA Ontario is Ontario’s designated wine authority. It is responsible for administering the VQA Act and its regulations under an agreement with the Minister of Small Business and Consumer Services (VQA Ontario, 2009).

(founded around the year 2000) feel that they have to produce VQA wine to survive. Some wineries existing during the time when the VQA became mandatory, however, feel that the decreased levies were necessary and enabled the 100% domestic wine sector to, as one interviewee put it, go from 'red to black'.

The VQA becoming a coercive reality – a regulatory body and mandatory measure – represents its entering into the final stage of Tolbert and Zucker's (1996) process of institutionalization, namely, sedimentation.

#### *4.5.4.3 Multiple Institutionalized Logics Coexisting within the Field*

Inclusive theorizing and collaborative strategies used by the small players to launch and institutionalize their new practices, combined with control measures taken by the powerful players involved with the VQA, eventually led to multiple logics being widely accepted and institutionalized within the field. First, as mentioned, the entrepreneurs never disparaged old practices when using theorizing strategies in order to diffuse their new practices associated with the VQA. They did not emphasize how the old practices used by existing, mainly large commercial players created competitiveness issues for the field in the face of the FTA. This protected the reputation of wines made using old practices. Hence, it allowed large wineries to successfully continue using the old practices as well as producing VQA wines.<sup>19</sup>

Second, from the start, large wineries got involved with the VQA either by sitting on its board or by funding it through the main industry association, the WCO. This consequently occurred due to collaborative strategies pursued by the small players with existing industry associations and institutions that also represented and were largely funded by established players using old practices. Hinings, Greenwood, Reay, and Suddaby (2004) note the provision of funding as

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<sup>19</sup> Old practices that compromised the quality of wines, such as adding water, sugar to wines, and the use of some indigenous varieties, were eventually banned by the government. However, old practices that involved importing juice and grapes continue to be used.



a means by which central actors can influence the development of a field. An interviewee describes the situation:

There was a time when there was a discussion about whether the funding in the VQA, the Ontario funding and the federal funding that was coming out of wineries, should come in through the VQA or whether it should come in through the Wine Council. With it coming in through the Wine Council, then those with the hands on the purse strings are those that are selling off a lot of imported product, and wouldn't do anything [to] that particular industry even if it was much more conducive to the advancement of a high quality wine region here with a price much higher. There were much greater odds of being successful and populating more land with great vines, etc. Those things are much more easily done with a marketing effort focused on high quality Ontario wines and differentiating those that aren't.

Another interviewee believes that the WCO represents their members' interests and not the wine industry as a whole. This is the case given that up until recently only half the wineries in Ontario were part of the WCO. Furthermore, many of those members were not small players given that it cost too much money for small players to join. As a result, the interviewee insinuated that the government funding channeled through the WCO is used to promote its members rather than to serve the industry.

Finally, by emphasizing a pragmatic need to adopt their new practices, small players' in the Canadian wine industry in a sense convinced large players to engage in what Reay and Hinings (2009) call 'pragmatic collaboration'. As such, collaboration through for instance the main industry association occurred because small players' practices could help large players achieve desired outcomes (e.g., increase profits). Reay and Hinings (2009) claim that pragmatic collaboration helps perpetuate the *persistence* of co-existing logics. In this case, I argue that inclusive strategies taken and pragmatic theorizing used by the small players introducing the VQA facilitated the co-existence of logics within the Ontario wine field.

In sum, many wineries still continue to import and bottle imported content from abroad. As a result, to this day, both the old and new practices and their

embodied logics coexist within the field. Hence, unlike past studies, one dominant logic was not replaced by another (e.g., Oliver, 1992; Scott et al., 2000), but rather multiple logics coexist within the field. I propose that the combination of theorization and collaboration strategies used by institutional entrepreneurs not only helped the VQA gain legitimacy but also helped preserve the legitimacy of certain old practices (bottling wines) used mainly by powerful players in the field. Thus, I propose the following:

***Proposition 8:*** *The use of inclusive strategies by small players will result in the coexistence of multiple logics (rather than one logic replacing another) within a mature organizational field.*

#### ***4.5.5 The Persistence of the VQA***

Tolbert and Zucker (1996) claim that it is only at the full institutionalization phase - sedimentation - that actors' propensity to engage in independent evaluation of the structures or practices decline. Furthermore, sedimentation rests on the historical continuity of structures or practices, and their survival across generations of organizational members. Full institutionalization of new structures and, analogously, new practices "is likely to depend on the conjoint effects of relatively low resistance by opposing groups, continued cultural support, and positive correlation with desired outcomes" (Tolbert & Zucker, 1996: 184).

Although the VQA has become a coercive fact and thus institutionalized, its persistence is being threatened. It is facing restrictive growth due to: 1) preexisting conditions that are better suited to older field practices or organizational forms that embody those practices; 2) consequences associated with the strategies originally used by entrepreneurs to launch the new institution; and 3) the inability of that new institution to meet some of the new field entrants' needs; needs mainly expressed by a new generation of field entrants that were founded near and after the VQA was regulated (the year 2000). So, although the VQA has become a coercive reality, its ability to meet all field players' desired outcomes, achieve minimal resistance, and survive across many generations is

still in question. This VQA case thus offers insight into not only how new practices introduced by small players are institutionalized (as outlined previously), but also what influences their persistence.

#### *4.5.5.1 Preexisting Regulations and Institutions*

A field cannot exist without authoritative rules to guide the interaction of economic actors by establishing rules that govern competition and cooperation between firms. The government facilitates “economic growth by providing, among other things, laws, social stability, and the regulation of class structure” (Fligstein & Sweet, 2002: 1207). Institution-building episodes by entrepreneurs typically take place in organizational fields that contain preexisting rules (existing institutions). These preexisting rules both constrain and enable actors in the arena. According to Fligstein and Sweet (2002: 1207), when field innovators find that current rules limit the ability to take advantage of economic opportunities, they typically lobby the government for new and better rules. Hence, in most industrialized societies, economic actors generate a continuous stream of new rules and adapt existing rules to new and changing circumstances.

When multiple logics exist within a field, preexisting rules and institutions that cater to one logic over another may be difficult or slow to change. Eventually, these rules may limit the new institution’s ability to reproduce itself period after period, particularly if the older logic serves the more established players in the field. This may be the case since government rules often reflect power relations. In Ontario, many institutions and regulations that control the supply and distribution side of the wine field established prior to the VQA, are more conducive to organizations using old practices. These institutions and regulations which affect domestic wine production in Ontario include: 1) the Ontario government-run distributor of wine, the LCBO; 2) the Ontario grape marketing board which negotiates grape prices; and 3) labelling laws in Canada.

In terms of distribution, wine in Ontario is sold through three distribution channels - the LCBO, stores located mainly on the winery premise, and licensees.

The LCBO, which sells about 85% of wine in Ontario, does not provide general listings in their stores to wineries that do not meet the volume needed to sell in all 600 or so LCBO stores around the province (Phillips, 2006). These LCBO's general listing rules, combined with levies of over 50% that they charge per bottle to be sold in their stores (Waters, 1999), makes this distribution system more conducive to large- and medium-sized wineries with low cost structures and the economies of scale required to sell through a middle man or in a wholesale market (Phillips, 2006). Since wines made with 100% domestically grown grapes have a higher cost structure and lower yields of grapes in cool climate regions such as Ontario, these rules are not conducive to small firms trying to produce 100% locally grown wines (estate wineries). Furthermore, the ability to produce wine with imported content was grandfathered in 1993. Hence, firms founded after 1993 cannot use imported content to produce wine. As a result, these wineries cannot use imported content to increase the volume of wine they produce in order to sell at the LCBO. In recent years, however, some programs have been launched to open the LCBO distribution system to small wineries. For instance, up until last year, the government had a 'give back' program where wineries producing VQA wines get back 30% of the money they pay the LCBO to sell their wines (Hill, 2006).

Moreover, prior to 1993, wineries were able to open stores anywhere in Ontario. However, this was phased out as part of the FTA between the United States and Canada. As a result, wineries that did not own private stores prior to 1993 could not open a store off their winery site. As one interviewee pointed out, these rules were put into place to prevent wineries from setting up shop on every corner in Ontario, as well as to reduce foreign competition from selling in private winery shops. One interviewee describes what he feels about the situation below:

The [large wineries] currently have 300 private wine stores, which we can't get access to ... at the Free Trade they [the government] really said, "We won't make you get rid of those private stores, but we don't expand them." ...What's happened is they have been consolidating to two large, now internationally owned monopolies, and they actually don't sell a lot of Ontario wine; they sell a lot of 'Cellared in Canada' wine ... I don't blame the [large wineries]. They are

creatures of regulation. They were just making business decisions that they had to make ... But here we are 20 years later ... How long does this go on for? It's growing up the marketplace ... If there is one thing that I would love to see changed is ... dealing with this crazy regulatory scenario.

Wineries, which do not have access to blending wines (those founded after 1993), or access to private stores located off their winery sites, thus believe that these regulatory conditions create competitive advantages for those with such opportunity. Most wineries that do not share these privileges want the playing field leveled. Interviewees representing such wineries suggested the following solutions: 1) access to sell their products in the stores owned by the large wineries; 2) access to stores strictly dedicated to selling 100% domestic wines; 3) opportunity to open or sell within private stores located off their winery sites; and/or 4) free consumer market system where distribution is not regulated. Additionally, some wineries claim that all wineries should be able to import content and bottle it.

Another existing institute, which influenced the domestic wine sector, is the Grape Growers' of Ontario (GGO). The GGO was established in 1937 to represent grape growers' interests when dealing with processors. It managed to ensure a unified, minimum price for grapes (Ontario Grape Growers' Marketing Board, 1997). This system was in place during a time when grapes were sold to mainly produce juice, as well as some grapes for wine. Furthermore, the grape varieties grown were for the most part lower quality Labrusca (indigenous varieties) and some American hybrids. As a result of the minimum price grape growers receive for grapes, many winery representatives interviewed believe that the majority of grape growers do not focus on growing quality grapes. Instead, they claim that grape growers concentrate on producing quantity since they are paid per ton of grapes. One interviewee describes the consequences associated with this situation below:

Growers are growing crap. There are some good growers - don't get me wrong - I am generalizing, right ... But at the end of the day, the average quality fruit that the growers are growing is mediocre ... In the last five years, have we seen wineries open up with growers in mind? No, because you just can't make quality; you can't manage your business. And the reality is these growers, they are smart.

They know that they have got a great marketing board that protects them, and they maximize the yield, and all they have to do is deliver it to the winery's door. Once it's accepted, they wash their hands. They don't put their name on it. It's the winery that's stuck with whatever they have given.

Although the quality of grapes is perceived to be low in Ontario as a result of the GGO, some wineries expressed concern for growers because of the market structure which is dominated by two large players. Essentially, their argument is that without the GGO, growers would be forced to sell their grapes at low prices because the majority of their grapes are bought by two large players. One large player, as well as medium-sized players interviewed, claimed instead that they would be happy to pay more for quality grapes. Whether the GGO continues to exist or not, many wineries expressed the need for the VQA to impose more regulation in the vineyard in order to increase the quality of VQA wines produced. This is particularly important since the VQA has now introduced sub-appellations<sup>20</sup> in the Niagara region; thus, terroir has greater importance.

An interviewee describes his view of the regulatory situation in the field:

[What] we are bumping up against significantly, right now .... [is] that the wine industry in Ontario is built around a patchwork of different kinds of regulations. You have, for example, a regulated market on the supply side, so grape prices are negotiated between the grape growers of Ontario and the Wine Council of Ontario. We are the only jurisdiction in the world where it is done that way. It is basically two adversarial institutions sitting down and trying to negotiate in place for what government had originally set up as the price of the commodity. Wine grapes are not commodities, so you have a one-price-fits-all type of scenario on the supply side. It really doesn't work; you need market forces to be involved ... Another problem is with the distribution system. In Ontario, we have the LCBO ... It is [a] monopoly controlled by the government. If I am not successful in the LCBO system, then I am not successful at all. So again, if you look at other examples of free market distribution systems, you see much more successful wine industries being born out of that. We don't have the kind of consumption in the market here that you do in other wine growing regions of the world. ... In

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<sup>20</sup> Sub-appellations are smaller areas "within an appellation that have been identified with unique geographical conditions. Sub-appellations in the Niagara Peninsula were identified after a lengthy technical study identifying common and unique traits related to geology, soils, topography, climate and growing conditions" (VQA Ontario, 2010f). These sub-appellations include: Beamsville Bench, Creeks Shore, St. David's Bench, and Niagara Lakeshore (VQA Ontario, 2010f).

Ontario, ... consumption of Ontario wine is one of the lowest in the world ... Because I think the distribution system is archaic - very limited stores per capita in Ontario ... I think that what has happened is that the laws in Canada and, specifically, Ontario have not evolved as fast as the industry has now. ... the regulations are ... an impediment to growth of our industry.

Currently, labelling laws allow wineries in the bottling sector, which produce wines made with up to 70% imported content from such countries as Chile, to label these wines as 'Cellared in Canada'.<sup>21</sup> During short crop times, these 'Cellared in Canada' wines contained up to 99% imported content. Many wineries believe that these laws lead consumers, who want to purchase local products, to purchase 'Cellared in Canada' products instead. This is the case given that imported, bottled wines, due to their lower production cost, can be sold for much less than VQA wines. Furthermore, during the short crop years, some wineries felt that the large wineries were trying to pass off their wines as 100% domestic wines by using similar packaging as VQA wines and demanding that the bottled wines be shelved together with the VQA wines in the liquor stores. One interviewee describes how this hurt the 100% domestic wine sector and industry as a whole:

We had a short crop. The blending regulations changed. So, a bunch of things happened - a nightmare really ... We confused the consumer ... Non-VQA [wine] looked exactly the same as the VQA ... Then people would go, "I don't know if I am drinking VQA or non-VQA." VQA sales have been flat ever since ... And the shelving of the LCBO is screwed up. This section is 'Cellared in Canada' but may contain wines that are both VQA and non-VQA because stupid idiot wineries wanted to keep their brand families together ... They looked after their own internal business as opposed to what's best for the industry.

As described in Section 3.4.4.1, in 2009, the Ontario government increased the levies on 'Cellared in Canada' wines made with 70% imported content. These levies will be used to enhance VQA wine sales. Part of the reason for the increased levies on 'Cellared in Canada' wines is that consumers believe that 'Cellared in Canada' wines are 100% Canadian (Anonymous, Toronto Star,

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<sup>21</sup> Most interviewees currently do not believe that the bottled wines are of lower quality. The main concern interviewees had with the bottled wines was that they are not clearly labelled as containing imported content.

Oct. 30, 2009). The government will also work with the LCBO and the wine industry to ensure signage for all Ontario wines<sup>22</sup> (Government of Ontario, 2009a). Moreover, the industry with support of the LCBO is seeking to change the 'Cellared in Canada' label to "Blended from International and Canadian Wines". However, because labelling of wines falls under federal jurisdiction, this change is currently awaiting federal approval (Marr, 2010). Therefore, wines made with imported content are still labelled as 'Cellared in Canada'.

Similar to past studies, changes in governance structures that control the supply and distribution side of the field lag behind "the development of new ideas" (Scott et al., 2000; Greenwood et al., 2002: 73). However, "external institutional pressures for organizational conformity from the state and society" are required to "sustain and perpetuate adherence to legitimated organizational activities" (Oliver, 1992: 563). In this case, the sustaining of regulations and institutions that favour old practices over new practices is essentially threatening the persistence of the VQA. Current institutional rules surrounding supply, distribution, and labelling are thought by many wineries to limit the growth of the 100% domestic wine sector in Ontario. This is the case given that many regulations and institutions, some of which date back to Prohibition (e.g., LCBO) and the FTA, are felt to empower the wineries that produce blended wines made with imported content and grape growers that produce lower quality grapes. Many interviewees claim that the government should change regulations and reconsider institutions that hinder the 'leveling of the playing field' for proponents of each logic. In the past, the government has offered incentives to produce VQA wine. As mentioned, one major incentive occurred in 1999 when the Ontario government allowed Ontario wineries to bypass the LCBO and deliver VQA wine directly to restaurants, hotels, and bars (Waters, 1999). But interviewees suggest

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<sup>22</sup> In BC, the government minister for the BC Liquor Distribution Branch ordered all government-owned stores to produce new signage clearly differentiating BC "VQA wine or 100% BC wine" from the "Bottled in BC from International and Domestic Wine". He also called for re-shelving of wines to separate 'Cellared in Canada' products from VQA wines. He however will still allow wineries to bottle 100 percent foreign wine and label it as 'Cellared in Canada' (Ejbich, 2010).



that incentives are not enough. In sum, by not changing long-standing institutions and regulations, government resources and rules remain tied to institutions that only support the old logic. This helps maintain old routines rather than support routines associated with the new logic. This in turn reduces the future resilience of the new logic (the VQA).

#### *4.5.5.2 Collaboration and Contestation*

Collaboration with industry associations and existing institutions at first facilitated the widespread diffusion of new practices introduced by small players in the Ontario wine field. However, cooperation with preexisting industry groups and institutions that still represent powerful players using old practices is now perceived by many wineries, particularly new entrants using new field practices, as limiting the new industry's long-term growth and prosperity. These organizations and institutions include the LCBO and the WCO.

First, wineries believe that the LCBO is not helping to promote Ontario wines by, for instance, creating big displays educating consumers about VQA or recommending it to consumers. One interviewee claims that the LCBO may be convinced one year to promote Ontario wines, only not to do it the next. The LCBO is a retailer that makes revenues for the government.<sup>23</sup> Therefore, as one interviewee claims, its mandate is not to promote Canadian or Ontario wines. The ex chairman and CEO of the LCBO explained the LCBO's stance as follows:

The people in the Ontario wine industry who complain about the LCBO are essentially very small, craft micro-wineries. But the little guys, who are breaking in, in some instances, lack the sales plan, lack a business plan, and frankly, don't know how to introduce a product onto the shelves. They think the LCBO has an obligation to sell their product without them making the concomitant effort that is required to introduce product to the public (Brandt, in Bogomolny, March 13-26, 2006).

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<sup>23</sup> The LCBO describes its mission as a: "socially responsible performance-driven, innovative, and profitable retailer, engaging customers in a discovery experience of the world of beverage alcohol" (LCBO, 2008a: 3). In the 2007-2008 year, the LCBO, a crown agency reporting to the Minister of Finance and classified by the Ontario government as an operational enterprise, transferred a dividend of \$1.345 billion to the Ontario government (excluding taxes).

Interviewees claim that the LCBO tends to promote wines from regions such as France that pay for the promotions. These promotions are subsidized by the country's government – subsidies, which wineries state, are not available in Canada. Furthermore, wineries believe that the LCBO has helped facilitate consumer confusion regarding 'Cellared in Canada' wine versus domestic wine in the past by, as mentioned previously, shelving VQA together with 'Cellared in Canada'. One interviewee stated that these actions really come down to one asking what the purpose is of the LCBO and of government policy. Is it to make revenues, or is it to promote Ontario wines? Many 100% domestic wine advocates, however, believe that the development of rural areas, in which to grow grapes, make wine, and attract tourism, outweighs the revenue the government obtains from the taxes charged by the LCBO to wineries. As such, they believe that the LCBO should either promote the 100% domestic wine sector, or the LCBO should be abolished. As mentioned, the Ontario government is however taking steps to change how VQA wines are promoted in LCBO stores.

Furthermore, although many wineries do not mind the laboratory testing of wines done by the LCBO to assess technical deficiencies in the wine and origin of grapes, they see the LCBO tasting panel, which assesses typicity of wine, as inconsistent. They believe that the panel often allows low quality wines to be certified as VQA wines. Others believe that the tasting panel is too subjective. As described by one interviewee:

My view is that if there are huge flaws in the wine ... then it should be turned down. But, if it's past a chemical test ... let the market tell them if this is a crappy wine ... rather than an arbitrary group of panelists who just tasted ten different wines ... from a different region and then they taste yours and they say, "Oh my God, you know, this doesn't have the varietal characteristics." Whereas, they try it two weeks later and they try it first, and then it passes.

The solutions proposed by the wineries regarding what to do with the tasting panel really depends on how they define the VQA. Most wineries see it as representing a quality standard, as well as an appellation system. Thus, they propose that wines should perhaps be tested by an industry panel. They suggest

this because they are not sure that the LCBO consultants are qualified to do the job. For instance, one interviewee claimed that most of the great wineries in such prestigious places as Burgundy do not sell to the LCBO and, as such, the LCBO is used to the taste of boring wines. Others who define the VQA as only an appellation system believe the following:

We currently have a tasting panel that all the wines need to go through in order to get VQA approval. I think, originally, that was a good idea. But, given that the VQA is an appellation system and not a quality assessment system, it is probably time to eliminate the tasting panel ... I think that the panel is generally very selective. ... I think we are starting to see a lot of different styles evolve as people come to understand terroir more and more, and style of wine is something that evolves as well. You've got tasters ... that tend to be ... less receptive to new world styles than old world styles.

Second, up until recently, many small, new entrants believed that the main industry association, the WCO, represented the bottling sector and not the 100% domestic wine industry's interests. This sparked controversy between many small, new entrants and proponents of the WCO. The WCO was mainly funded by the number of bottles each WCO member produces. As a result, up until recently, the large wineries were the main funders of the WCO. Furthermore, up until late 2009, these large wineries held veto power in voting decisions made by WCO members. Although the large wineries have never used this veto power, some field participants and wineries, particularly the newer generation of entrants, believe that these large wineries influenced the WCO's lobbying actions to benefit their companies. An example of this is described below:

Well that's the kind of thing that takes places at the Wine Council ... Especially in years when ... there were lower crops ... The difficulty with the large wineries needing to maintain volumes ... Let me give you an example. Here is a very fine top-end Burgundy producer from France ... And with the investment in Niagara, right when that [the short crop] was happening. We had a really bad winter that wiped ... the grape varieties that he was looking at planting ... I just showed him exactly what had happened.... His reaction was, "That's not a big deal. We have had damage like this twice in the last 20 years in Burgundy ... The big thing is how it's being handled ... And I said: "Well, there is already discussion at the Wine Council that looks like it [will] kind of go through ... allowing wines to increase the amount of non-Canadian content from 70%, which was [a] maximum part of that down to as much as 99%, and still call [it] 'Product of Canada'. There is no movement towards... emphasizing the VQA or Ontario content ... Wineries

will be allowed to keep the same ... [serial] number for wines that had been VQA previously ... that are going to become non-VQA because they don't have enough of those grape varieties to maintain their product line.” And, his reaction was ... “Now you’ve got to make up your mind whether you want to be [a] top-end wine region, or whether you want to produce plonk”... So he said, “You know in Burgundy ... we have shortages all the time, and wine industries are established based on producing enough in the years that you can ... that in the years that you can’t ... The option of sourcing imported grapes whenever there is a problem then ... you are going to have huge distortions in the market. It just doesn’t make any sense.”

As described in Section 3.4.4.1, two organizational groups were formed by proponents of the 100% domestic wine sector in the 2000s to counteract the WCO. 1) The Ontario Viniculture Association (OVA) was formed in 2007 by a former LCBO employee and several longtime field members to voice their opinions to government. 2) The Ontario Wine Producers (OWP) formed in the early 2000s. It was formed in order to react to field activities that they felt do not help the 100% domestic wine sector. Essentially, the members of these two groups felt that they had no representative body that would help voice their opinions to government.

The main issue that these new organizations had is that the WCO would not lobby the government to change regulations in favour of clearer labelling of what is or what is not a locally produced wine. Some wineries, which formed the groups that counteract the WCO, actually would like to see the WCO lobby for their rights, and mainly be a body that represents domestic wines made with 100% Ontario product with a subgroup for those that produce imported, blended wine. WCO is seen as the stronger body because of its ties to government and because government funding is channeled through them. Another interviewee wanted to see a separate organization market VQA wines; one that is independent and could not be influenced by the bottling sector stating: “If there were two bodies, one for bottlers of wine of Canadian bottled wine and one for Canadian estate produced wine, then it would go the direction it should go and it would be as simple as that.”

In December 2009, six of Ontario's largest wineries, which produce 'Cellared in Canada' wine and VQA wines, split from the WCO in order to better represent their rights as a new entity – the Winery and Grower Alliance of Ontario (Street, 2009). This occurred on the heels of new provincial regulations that involved a tax increase on blended wines sold in private wine stores. This increase would go towards funding wine marketing through the WCO and increasing the number of VQA wines in LCBO stores. During an interview with the media, a large winery representative who had split from the WCO described why the split occurred: "We felt we could best deal with [issues stemming from new provincial policies] as a new organization ... We felt the best strategy was to have two separate organizations – one for VQA and one for 'Cellared in Canada'." Although disappointed, the chair of the WCO, a fifth generation winery owner, described how the WCO's new focus on 100% domestically produced wine might instigate smaller players, who were reluctant to join the association due to its attention on 'Cellared in Canada' wines in the past, to now become a WCO member (Street, 2009).

In sum, my findings suggest that the WCO's past unwillingness to represent the 100% domestic wine sector, as well as the LCBO's lack of promotion of 100% domestic wines and inconsistent tasting panel, have negatively affected the VQA wine market share and ability for growth. Ultimately, if the VQA's market share declines, then the benefit of using VQA wine practices for wineries declines. Therefore, my study suggests that collaboration with established key organizations and institutions, which at first helps small players achieve widespread acceptance of their new practices, will eventually limit the reproduction of those new practices. This is particularly the case if the established organizations and institutions still represent or are controlled by members who mainly promulgate or produce old practices. Past research has instead mainly portrayed a positive association between entrepreneurial collaboration with a professional association and the legitimization of entrepreneurs' new practices (e.g., Greenwood et al., 2002). Few studies have

considered how such collaboration would affect the long-term institutionalization of that new logic which coexists alongside an old logic.

Within a *mature* organizational field, my findings also suggest that the coexistence of multiple logics will persist only if members promulgating diverse logics are represented by two different, competing professional associations. In their study of state offices in an *emerging* field, Purdy and Gray (2009) found that ongoing competition among professional organizations enabled diverse logics and different practices to persist across the organizational population of their focal study. The two organizations were able to vie for funding and maintain the legitimacy of the institution they represent. In their study of an *emerging* field, there was, however, ongoing competition between two organizations from the start. In the VQA case, two dominant organizations representing two distinct logics evolved from a situation where one organization represented both logics.

Furthermore, the large mass producers of bottled wine started their own association for bottled wine producers when they needed to compete for resources and have a stronger influence in the industry. Throughout the 2000s, small players producing only 100% domestic wines also started associations when they wanted to have a stronger influence in the industry. This corresponds with Dunn and Jones' (2010: 127) study of the medical educational field from 1967 to 2005. They found that professions are more likely to differentiate their knowledge base from other professions when they are competing "for resources and influence in defining quality care." Moreover, Dunn and Jones (2010) found that contestation among professionals is positively associated with increased emphasis on the logic those professionals are supporting. When a member of a profession calls for reform, those calls "reflect a segment in the profession"; a segment which is "advocating for higher priority of their interests and values" (Dunn & Jones, 2010: 128). Such contestation or calls for reform help "increase opportunities for social construction whereby professionals advance alternative logics and meanings" (Dunn & Jones, 2010: 128).

In short, my study suggests that small entrepreneurs' collaboration efforts with professional organizations within a mature field are not stable and evolve over time. Scholars, particularly those who study professions (e.g., accounting), have noted how "unity among contradicting logics cannot be sustained within a profession" (Suddaby & Greenwood, 2005; Dunn & Jones, 2010: 140). However, how collaborative and contestation efforts among proponents of diverse logics occur or oscillate over the long term have received little research attention (exceptions include Reay & Hinings, 2009; Dunn & Jones, 2010). In their study of the Alberta medical field, Reay and Hinings (2009) highlight the importance of collaboration amongst proponents of diverse logics as perpetuating the co-existence of multiple logics within a field. They claim that such collaborative efforts may help the persistence of co-existing logics in fields where professionals are in short supply or hold key positions, as was the case in their field of study. In this study, efforts to ensure the persistence of a new logic alongside an older prevailing logic seem to swing like a pendulum between being collaborative and conflicting. Collaborative efforts help small players diffuse their new practices while conflicting efforts help ensure the persistence of their practices. Dunn and Jones (2010: 127) suggest that professionals can work with institutional pluralism when "the philosophies, normative understandings, and values of logics complement each other or cohere." I found this to also be the case in terms of the *emergence* of a new logic alongside a prevailing logic. In the Ontario wine industry, a new logic emerged alongside an old logic because that new logic was presented or seemed to complement the prevailing logic. Similar to Dunn and Jones (2010), conflicting efforts, through for instance the establishment of distinct professional associations, seemed to arise in times when the proponents of each logic were competing for resources and influence within the Ontario wine industry. However, while Dunn and Jones (2010) focus on the *emphasis* of one *preexisting* logic relative to another *preexisting* logic in a field, I consider instead what is required to ensure the *emergence* and *persistence* of a *new* logic introduced by small players alongside a *preexisting* logic supported by prominent players within a mature field. The progression from collaborative to conflicting

efforts between proponents of the multiple logics perhaps represents a natural progression that must take place in order to ensure first the emergence and then the persistence of a new logic (particularly one introduced by small players) alongside an older logic within a mature organizational field. Hence, I propose the following:

***Proposition 9:*** *Within a mature organizational field, small player collaboration with established stakeholder organizations, which at first help institutionalize new practices embodying a new logic, will eventually limit the reproduction of those new institutional practices.*

***Proposition 10:*** *Multiple logics are able to persist within a mature organizational field if proponents of each logic are represented by their own professional organizations.*

#### *4.5.5.3 Permanence over Generations of Wineries*

Institutional permanence depends on its ability to address the needs and opportunities of key participants (Maguire et al., 2004; Hargrave & Van de Ven, 2006). Indeed, the growth in the criticality or representation of organizational members, whose interests or beliefs conflict with the status quo, can lead to organizational practice delegitimation (Oliver, 1992: 569). Such deinstitutionalization may result from changes in the perceived utility or technical instrumentality of these practices (Oliver, 1992: 571-572). In the case of the VQA, there is large-scale criticality and a growing perception of a need for change among new entrants (founded after the year 2000). These new entrants believe, however, that their call for change is not being addressed by VQA decision-makers as described by one interviewee below:

You know, when France, just after World War II ... they sorted out their appellation system and had to fight some riots along the way. Compare that to the way VQA is, not quite the same development. So, I am wondering if the same passion [exists] ... there is not that hammering out of 'let's get it right'. There seems to be the feeling that they got it right when they first set it up, and it doesn't need to change after that.

Many new entrants are calling for change or deinstitutionalization of the VQA due to contradictions existing between following the VQA to achieve legitimacy and, in turn, resources (due to economic incentives), and new entrants' technical



efficiencies or effectiveness. In particular, rules and economic incentives associated with VQA wine production seem to contradict the technical efficiency and effectiveness of new entrants that: 1) produce premium wines to serve the high-end market; 2) want to experiment with winemaking techniques that do not follow VQA rules and not get penalized economically for doing so; and 3) are located outside of the Niagara region.

First, many wineries producing premium wines that serve the high-end market believe that VQA rules contradict their business goals or image of producing premium wines. This is because they believe that the VQA logo is not representative of high end wines. Consequently, most of these new entrants only produce VQA wines because of the economic incentives to do so. The situation is described by one interview below:

The expensive wines don't need VQA to sell because ... price tells you what the quality is. And, all the cheap wines would want to be associated with all those expensive wines, so they put the VQA logo [on them]. It puts everybody into the same group. It makes my wine equal to X winery [mass producer of wine] because they both pass the VQA tasting panel. X winery, and don't get me wrong, they're probably delivering value at six bucks ... but they have VQA on their bottle and I have VQA on my bottle; that is the same in the consumers' eyes.

The new entrants believe that the VQA system is not meeting the needs of high-end producers of wine for the following reasons. First, some wineries in this group believe that the VQA system, namely its tasting panel, is set up to judge good wines, not great wines. As one interviewee put it, the VQA is an 'umbrella' organization and, as such, does not represent extremities very well. VQA, as a result, evolved from a system, that elevated quality by taking out a lot of faulty wines made when the system first started, to a system that now eliminates extremes, including great wines. He claims that some of the best wines around the world have small defects, but in order to get VQA, the wine must be squeaky clean of defects. Hence, because great wines have flaws, the government run VQA hinders wine makers who are artistic or somewhat creative by essentially telling them that they cannot do that. Because of these factors, the interviewee, like many other wineries, believes that the tasting panel should not determine

whether a winery receives financial incentives, but rather the consumer should decide on the quality of the wine. Thus, he believes that the tasting panel should be eliminated. Others would like to see a stratified system where high-end wines are immediately judged by a panel of experts rather than LCBO product consultants as is currently the case.<sup>24</sup>

Another interviewee believes the lower quality wines are being VQA certified due to the economic incentives associated with producing such wines. Essentially, if a wine is rejected, the cost to a winery is too great to bear given the economic incentives associated with producing VQA wines combined with the limited distribution for wines in Ontario. The main economic incentive is that VQA wines are allowed to bypass the 58% markup charged by the LCBO when directly delivered to licensees. Selling to licensees is a key distribution channel for small, new entrant wineries given that they do not make enough volume to get a general listing in the LCBO and cannot open a store off their winery sites.<sup>25</sup> The interviewee explains his view below:

I like to see them [the VQA standards] much higher ... I like to see them reject more wines, but the wineries are not penalized ... The issue is it's almost like a wheel, a self-fulfilling prophecy ... I think what's happened is a lot of wines are being put through because it would be too punitive to the winery to not put that wine through ... because they have attached that tax treatment to it, which they did for a very Machiavellian reason, because nobody else would have joined ... [If] any wine produced in Ontario can get direct delivery to licensees, we can then apply some real critical criteria to the VQA approval process.

The VQA decision-makers state that the VQA currently represents a minimum quality standard that wineries try to meet, and a guarantee of origin or an appellation system. As another interviewee describes, the VQA is following the lead of appellation systems in more prestigious fields<sup>26</sup> that really only guarantee

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<sup>24</sup> Currently, wines are only judged by a panel of experts after the wine has failed a number of times and the winery appeals the process.

<sup>25</sup> Refer to Section 3.4.4.2 for more information about distribution of wine in Ontario.

<sup>26</sup> Two appellation systems referred to by interviewees are: 1) the AOC in France, which guarantees authenticity by defining origin, grape varieties, and some

a minimum standard. However, some new entrant premium wine producers believe that the VQA system needs to change to account for their needs. The same interviewee quoted above suggests a stratified certification system where two VQA levels are developed, one for premium quality wines and another lower level for those that meet minimum requirements.<sup>27</sup> In sum, the VQA system, namely, its tasting panel and economic incentives provided by the government to produce VQA wines, is perceived by new entrants as set up to represent mediocre or good wines, not great wines. This system does not correspond with high-end wineries' business strategies.<sup>28,29</sup>

Furthermore, normative and coercive measures used in the past to reinforce the production of VQA wine no longer seem to apply to the group of new entrants producing premium wines.<sup>30</sup> Such measures are crucial in ensuring the continual influence of institutional practices within a field (Oliver, 1991). This is not only a function of their strength but of the receptivity of recipients to such pressures (Greenwood & Suddaby, 2006: 38). In the past, previous generations of wineries were influenced more by the powerful players' wishes, or the industry organizations representing those powerful players' needs, than the fifth generation. The fifth generation, founded after 2000, made their fortunes outside

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aspects of vine cultivation and winemaking; and 2) the American Viticultural Area (AVA) in California, which specifies designated wine grape-growing regions that are distinguished by geographic location alone (Alcohol and Tobacco Tax and Trade Bureau, 2010).

<sup>27</sup> When introduced, the VQA had a two-level certification system. This was later abolished because many industry members felt that it confused consumers.

<sup>28</sup> Decision-makers involved in the VQA, however, specify that they are taking a different approach to improving quality through other measures such as forums whereby winemakers can share ideas rather than through changing quality standards. Instead, decision-makers are focusing on a sense of place by creating sub-appellations, for instance.

<sup>29</sup> Some of the same wineries, expressing issues with the VQA as an umbrella organization or having low standards, did like the development of the sub-appellations, which they see as aligning with their business plan to appeal to a higher end consumer.

<sup>30</sup> See Section for 3.4.5 for more information regarding generation of wineries founded in Ontario.

the industry. Because of this, they do not rely on powerful players to make 'ends meet'. This situation is described below:

Well, [what] you have now is, you have a whole crop of new winery owners, including myself in that group, and a lot of other much brighter people than me who are savvy business people, who have strong marketing and sales and finance backgrounds, [and] who are not intimidated by large companies ... 10 years ago, a lot of these winemakers or wineries also sold grapes to [large wineries]. But, [the large wineries] pulled the strings, and they do whatever they want. I don't care what [the large wineries] do. It doesn't bother me. No sweat off my back. That's a big change. They are not used to that.

The fifth generation winery owners' business experience, as well as their lack of reliance on powerful players, may hinder these new entrants' participation in the main industry association, WCO. Such participation is one means in which norms and expectations in an industry are reproduced (Greenwood & Suddaby, 2006). In the past, participation in industry associations would have been crucial for training, as described by one interviewee who founded a winery in the 1980s:

I learned a lot about the wine business through the associations ... Here I am a kid ... just out of university ... I have no business background, and now running a small business. I get to go to a Wine Council meeting, sitting around some of the top executives of the day in this business ... I learned a lot about how to run a business from just listening to people that were experienced ... We hear a lot of complaints about the Wine Council ... These guys should go and sit there and just listen and learn about the business from the people that have some experience. That's certainly what I did. It's not that I agreed with them all the time, but ... I always considered it, and it did affect some of the decisions that we made here ... It was just ... like an MBA.

Furthermore, many new entrants have winemakers that are internationally trained. Therefore, new entrants may not feel the perceived need to learn from other winemakers within Niagara, particularly if they have an international network of winemakers to learn from, as one interviewee claimed is his strategy.

Second, another group of new entrants believes that the VQA is too exclusionary of many practices. They believe it reduces experimentation with wine practices that may benefit their businesses. This is largely because the economic incentives attached to producing VQA wines, and selling them with reduced levies to licensees, make the production of VQA wines necessary in order

to make a profit. One new entrant gives an example below:

We currently have gone through a process with a ... grape breeder to provide a Cabernet Sauvignon-like product; so very vinifera-like that you don't spray [with pesticides]. There is minimal intervention, so not a lot of tractor work, [and consequently] the fuel consumption is down ... Yet, for me to get it, so that I could sell it in a restaurant, as a non-VQA wine, I have to give 60% to the LCBO. What's really funny about this is that this was a breeding program ... in Ontario ... the plant has never grown anywhere but in Ontario, and [yet] I can't call it a product of Ontario. Yet, I can have a French clone that came from France growing here, and it's a product of Ontario. So what does that mean? It's protectionist ... Frankly, we have a lot of US customers that don't care about VQA. They want good wine. That's all anybody cares about ... But, they have put so much ... into this VQA, saying that they have actually legislated it under the guise of consumer protection, that it really protected those businesses and the investment that they had in the VQA brand. And [for] the rest of us, it's pay or play.

The development of the domestic wine industry through the VQA is seen by another interviewee as driven by entrepreneurs of European origin that implemented an exclusionary system, just like the one they originally ran away from:

There are a lot of smart people getting into the wine industry. One of the very most positive influences is that you have people coming from all over the world to a place where they have shared secrets and talked to each other and got drunk together. What they saw from where they were ... and in fact a lot of those people where they came from, they had to make wine in a certain restrictive way ... and then they came to Canada and could do whatever they wanted. Unfortunately, the silly bastards are quotafying everything so that they are ending up restricting everything to what it was 20 years ago.

Interviewer: What do you mean quotafying everything?

Interviewee: Well, you can only use these grapes in a VQA wine, you can't use anything new, and you can't do that.... They are making laws just like the ones they ran away from.

Many interviewees understand the need for practices to be proven as quality practices before becoming a VQA practice, as well as the need for strict rules, in order to remain internationally competitive. However, there is still a strong desire by most wineries to experiment with new practices and not be penalized (tax-wise) for it.

Many of the wineries, due to the exclusivity of the VQA practices, suggest that a table wine level, like that existing in prestigious wine fields (e.g., France), should be created. It would pertain to 100% Ontario wines that do not necessarily follow VQA rules. Because they are 100% Ontario wines, they would still, however, be eligible for economic incentives involved with VQA wine sales to licensees. They suggest this change for a number of reasons. First, one interviewee claims that the VQA has no comparative value as it once had at the time the FTA was implemented, when VQA wines were compared to wines containing lower quality varietals and practices. Having a table wine level, as well as an exclusionary VQA level, would then give a VQA wine that comparative component. The VQA wine would be wines made with 'tried and true' types of varieties. Second, the VQA owns terminology such as the word 'Ontario'. As described by one interviewee: "The government here has taken the view that Ontario wine is VQA. If you are not VQA, you are not really an Ontario wine." Therefore, non-VQA wines that are 100% domestically produced in Ontario cannot place this term on their bottle. Some wineries believe that this limits 100% Ontario wines that use non-VQA practices from effectively marketing their wines to consumers who support local products. Furthermore, 100% domestic wines that do not follow VQA rules have equal treatment to wines made with imported content or even foreign wines. These perceived exclusionary actions, taken by institutional entrepreneurs that developed the VQA, facilitate conflict in the industry. As described by one interviewee:

Well, either blended wine, or even something from Italy, for instance, that's the same regulated value, or whatever you want to serve, the same sort of placement ... it [100% Ontario product] doesn't enjoy any of those things that an Ontario product should. Those are the ones that we were actually thinking of moving to Foodland Ontario and then marketing under Foodland Ontario ... Then we could use the term Ontario and let the VQA fight it over with Foodland Ontario.

Interviewer: But, you can under Foodland Ontario<sup>31</sup>?

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<sup>31</sup> "Foodland Ontario is a long-established consumer promotion program of the Ontario Ministry of Agriculture, Food and Rural Affairs. From its inception in 1977, Foodland Ontario has partnered with producers to achieve the maximum

Interviewee: Well, presumably yeah.

Third, the VQA, which was started by wineries mainly existing in the Niagara region, now seems to be too Niagara-centric to the growing number of wineries founded in other regions of Ontario. The VQA was started in the Niagara region because most wineries existed in that region at the time. The situation is described by one interviewee below:

The VQA is basically run by Niagara players. Ontario now has four designated horticultural areas, mainly Lake Erie, North Shore, Niagara, and Prince Edward County. A proper appellation of origin system is much more locally focused, [with] different areas growing different varieties, as well as slightly different wine styles. This one central body is determining wine styles for four different areas. It makes it very difficult for unique differences to start ... so, instead of getting one seat on the board of VQA, until they develop a more sophisticated way to look at differences or allowing differences to start, then we won't have an appellation system. That's one of the big differences protecting an appellation system ... but still it's a centralized bureaucracy, a centralized decision-making body.

Essentially, what is occurring is what Greenwood and Suddaby (2006) identify as misalignment between the regulatory structures of the VQA, which have remained geographically fixed (i.e., taking into account mainly the needs of Niagara wineries), and the different climate and practices occurring in the broader Ontario region (boundary misalignment). For instance, a tasting panel used to drinking Chardonnay grown in the warmer Niagara region may not be able to appreciate a Chardonnay grown in Prince Edward County (PEC).

Additionally, there seems to be a misalignment between regulatory structures that remained fixed over time and the development, since the inception of the VQA, of higher quality practices in North America (i.e., grape varieties) that are not recognized by the VQA. The seemingly fixed regulatory structure of the VQA is based on the continual strategy used by VQA decision-makers to harmonize it with practices used in prestigious fields. For instance, for the most

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penetration of the Ontario market by Ontario-produced fresh and processed agricultural products" (Foodland Ontario, 2010).

part, the VQA includes vinifera grapes used in Europe. Many interviewees identified how grape varieties developed in North America have substantially improved in quality since the VQA was created. However, these more climate appropriate or environmentally-friendly varieties are not being considered by VQA decision-makers. They believe that wine made with these varieties should at least achieve the same economic incentives as VQA wines. In short, there is a misalignment between local business practices used by these wineries and the more stable and centralized jurisdiction of the VQA established two decades earlier.

In sum, many new entrants are questioning the value of the VQA. As described by one interviewee:

If there was no tax benefit, if I would not do direct delivery to licensees, then I would not be a member of VQA ... Because I feel the quality standards of VQA are not high enough. I can get a lot more wines that got through VQA, don't deserve to get through VQA. I think it's an issue.... I don't know how often I have had people say that, if it's got a VQA label on that, I can't drink it ... I mean, there are wines that I drink - Ontario wines - I am embarrassed about it ... And I am not the only winemaker, only proprietor that says that ... there are many proprietors and many winemakers that say the same thing.

Another new entrant describes the VQA as a bureaucracy that gets in the way of doing business:

Why don't you let people make wine and then let people buy wine ... What's wrong with that model? ... Well no, if you've got rid of that whole thing, or made it non-mandatory [VQA economic incentive associated with delivering to licensees], or whatever you call it, then all of that goes away. It's all self-orchestrated. It's all fabricated. So, what quality, what value does VQA really represent? None. There is no value. There is a value to those people that have used that brand to do things that were successful at it years ago. That's the reason they were able to be successful. [It] is because they have that brand, but that doesn't really apply to us ... So, it is messed up. What it is - VQA has been given a role of wine authority. And, I think Ontario has got too many authorities, and the authorities are just bureaucracies. They don't really raise the bar. They just simply raise the cost for doing business ... something that's in the way of us doing business.

The VQA system, combined with economic incentives associated with producing VQA wines, conflicts with these wineries' functional utility. Therefore, the VQA,



which once was of value to the wineries existing at the time of its creation, is no longer seen to be of value to those current entrants because it prevents them from pursuing more effective solutions. This corresponds to what Seo and Creed (2002) identify as a contradiction between achieving legitimacy (and benefits associated with those such as tax cuts) by using VQA practices and the technical efficiency or effectiveness of the organization. In the case of wineries located outside of Niagara, there is what Seo and Creed (2002) call a nonadaptability contradiction occurring. This involves the inability of a prevailing institutional logic (centered upon Niagara district and more prestigious international field practices) to adapt fast enough to fundamental shifts in circumstances within the focal field (Greenwood & Suddaby 2006: 38).

Following Scott (2001), Maguire and Hardy (2009: 149) claim that “institutionalized practices are held in place by three “pillars” – regulative, normative, and cognitive – through which legitimacy” is established and conformity is secured. These pillars help reproduce behaviour with: 1) the regulative pillar constituting authority of certain actors to formally constrain actors’ behaviour; 2) the normative constituting behaviour by defining what is appropriate or expected in a given social situation; and 3) the cognitive, based on “shared conceptions that constitute the nature of social reality” (Scott, 2001: 57). In the case of the cognitive pillar, conformity may be automatic (Maguire & Hardy, 2009: 149) due to “a culturally supported and conceptually correct basis of legitimacy which becomes unquestioned” (Hoffman, 1999: 353). Deinstitutionalization, or “the process whereby previously institutionalized practices are abandoned”, may become more likely if one or more of these pillars collapse (Maguire & Hardy, 2009: 150). Maguire and Hardy (2009: 150) state that such deinstitutionalization does not necessarily occur because a better option has presented itself but because the original option may have lost its meaning. In this case, the growth of new entrant industry members, whose beliefs conflict with the VQA, is threatening the existence of that institution within the field. The VQA seems to have lost its meaning with a group of new entrants in that it does not

represent quality to them, new options these wineries want to pursue, and/or practices they use within designated viticultural areas (DVA) located outside of Niagara. Instead, they feel that they are constrained by coercion processes to follow VQA rules when making wine or to be part of VQA in order to gain the economic incentive. However, abandonment of the VQA may occur in the future if intensified competition within the Ontario wine industry makes task effectiveness more crucial to organizational success (Oliver, 1992: 573). This may be the case if more distribution channels open up or consumers stop purchasing VQA wines. In short, new entrants seem to be losing cognitive belief in the VQA because it does not address their critical problems or opportunities. This weakening of an institutional pillar may signify the potential deinstitutionalization of the VQA by future generations of wineries if institutional change does not take place.

Past scholars have acknowledged the restructuring of organizations and institutions with changes in constituents (e.g., Hoffman, 1999). “Organizational managers recruited to shake up the status quo” often help deinstitutionalize previously accepted activities and strategies (Tushman & Romanelli, 1985 in Oliver, 1992; 569). At the field level, Hoffman (1999) focuses on organizational field formation and configuration changes triggered in part by disruptive events and centered on issues (e.g., environmentalism) (see also Rao et al, 2003). Moreover, Dunn and Jones (2010: 114) look at how changes in a population, which reflect a shift in values (e.g., growing population of new entrants), cause multiple logics to “fluctuate over time”. They thus consider how field members’ attention may shift to the existing logic most consonant with new entrants’ purpose (Dunn & Jones, 2010: 127). These scholars, however, consider the fluctuation of already existing logics, and not the change or de-institutionalization of a new logic co-existing alongside an old logic. In brief, few studies to date have focused on the deinstitutionalization or change of a new logic perpetuated by a growing population of small, new entrants in the absence of a disruptive event. I thus propose the following:

***Proposition 11:*** *New practices introduced by small players that address the critical problems and opportunities of a growing population of new entrants are more likely to persist within a mature organizational field.*

#### *4.5.5.4 The Interdependence of Multiple Logics within a Mature Field*

When multiple logics coexist within a field, spillover effects are likely to occur, such that, the characteristic of one firm subscribing to one logic will reflect upon other firms subscribing to another logic within the industry. As Barnett and King (2008: 1153) state, such interdependence can be favourable in that one firm's success "helps to legitimize an emerging sector within an industry and so eases all firms' access to resources". Otherwise, it can be problematic in that it can hurt the success of that emerging sector. Many interviewees believe that the bottling wine and domestic wine sector are interdependent and, because of this interdependence, affect one another positively and negatively. One interviewee believes that the reputation and price of bottled wine will be positively impacted as the reputation of the domestically produced wine sector grows internationally. He describes why this is the case, below:

Any region that produces top-end wine, also produces bottom-end wine, because you need to do something with the grapes that aren't at that category. The vast majority of the wine would in fact be in that category, so when you're producing top-end wine, you do the whole spectrum. You have the great advantage of being able to charge a couple [of] dollars more because the marketing focus is on what you do that's great and what you do that's wonderful, and how good your wines are, and how world class they are ... So, that shine tends to run across the whole portfolio, and you're able, like Bordeaux is, to sell even really ordinary wines, even some sub-standard wines at higher-than-normal prices because the reputation of the region is so strong, it has focused on top-end wine.

This same interviewee points out that, even if bottled wines are clearly differentiated from 100% domestic wines, both sectors within the industry will survive for the reasons described below:

There was an awful lot of wine being sold for an awful lot of money that was produced, by and large, from import content.... And, Canadians were buying more wine, more 'Canadian wine', than we'd actually be able to grow the grapes for. And, I knew we couldn't do it at the price points that the imports were sold at, so that was also my reasoning for saying, "Hey, we don't need to sort of pretend it's Canadian. We can differentiate between the Ontario-grown product and the

non-Ontario grown product, because of the price points of products that we can't compete with here anyways."

Other interviewees are concerned that the bottling wine sector would negatively affect the 100% domestic wine sector. One interviewee claimed that the lack of controls on imported content may result in a firm producing lower quality, or even selling contaminated wine, due to the purchase of content from countries with lax regulations. This, he believes, would then negatively impact the industry as a whole since such a scandal would cause consumers to not only stop buying 'Cellared in Canada' wine but also 100% domestically produced wines. Most interviewees, however, did not take issue with the quality of bottled wines.

The examples described above follow Tirole's (1996) theory of collective reputations, explaining how the reputation of a group and those that compose the group, past and present, are intertwined (Barnett & King, 2008: 1153). As such, the group's reputation is only as good as its members. This is premised on imperfect observability of individual behaviour. Individual behaviours are observed with noise. Therefore, a group member cannot separate itself from the behaviours of other members, past and present. Whereas Tirole (1996) described collective reputations at the individual level, and Barnett and King (2008) at the organizational level, such that one firm affects the reputation of the industry, I argue that collective reputations can be affected by firms in different sectors within an industry.

Furthermore, as Barnett and King (2008) found in their study of the U.S. chemical industry, a major crisis increases the degree in which the actions of certain firms in the industry negatively affect other firms in the same industry. This seems to have been the case within the wine industry during the short crop seasons when large players, for instance, tried to pass their wines off as 100% domestically produced wines (e.g., unclear labelling). Many interviewees believe that this created consumer confusion, resulting in the flattening of VQA wine market share. Barnett and King (2008: 1158) also state that an industry commons can become damaged in a way that significantly harms firms and even threatens

their legitimacy. This is the case given that “stakeholder perceptions of an industry are based on metaphors.” These metaphors can “change suddenly and unpredictably as significant events influence taken-for-granted assumptions and create new metaphors about the industry” (Hoffman, 1999; Barnett & King 2008: 1153). These new metaphors “can cause even minor events to draw attention and even raise the threat of sanctions by consumers across the industry” (Barnett & King 2008: 1153). This was the case in the Ontario wine industry when concessions made during short crop times for ‘Cellared in Canada’ wines, where the imported wine content was increased to 99% from 70%, were mistakenly interpreted by industry players and consumers as VQA wines also containing imported wine content. Many wineries believe that this also caused consumers to avoid Ontario wines.

Many wineries mentioned the need for the industry to work together in achieving consensus because their fates are ultimately intertwined. They believe that there is a place for both sectors, with their embodied logics, to exist. An example of how wineries should work together is described by one interviewee: Only just the capacity to grow, really. Like, what they’ve been allowing here, if you have a short vintage, they don’t mind you bringing in wine from other countries to maintain their volumes. Some wineries have tended to sort of saturate the market with those sorts of wines. The difficulty here is that we end up competing for a small market share among ourselves. As an industry, what we need to be doing is broadening our markets ... Either we work toward increasing the wine market in Canada, because it is quite small in terms of per-capita consumptions ... to increase market size. The other one is to increase market share. And, rather than taking from each other, we have to be more competitive with the imports.

Many interviewees believe that the industry must work together to build a reputation internationally. This is particularly true given that the Ontario wine industry is such a young industry. As one interviewee put it, some people do not even know that wine is made in Canada.

In short, when small players in a mature field introduce a new logic, the old logic does not necessarily completely disappear. This results in the layering of

one institutional logic upon another. In such cases, my findings suggest that the success of the organizational field depends on wineries not compromising the long-term industry success as a whole for individual short-term gains (e.g., passing bottled wines off as 100% domestic wines during short crop seasons, which, in turn, confuses consumers). The interviewees believe that the solution to conflict between the various players using various practices is mutual respect and protection of each other's sector and industry as a whole. Hence, my findings suggest that field members do not want to compete against one another. Instead, they call for the industry to work together to grow their market share domestically or abroad. I thus propose the following:

***Proposition 12:*** *When consumers have difficulty distinguishing between two coexisting logics within a mature organizational field, multiple logics are more likely to persist in the field if proponents of one logic do not attack proponents of another logic.*

In sum, in regards to my fourth question - *How does the early institutionalization of new practices originally introduced by small players occur?*

- I found that small players institutionalize new practices by: 1) by using certification symbols, disseminated by a credible third party; 2) setting high standards for their new practices that surpass those in more prestigious fields; and 3) enshrining them in regulation. Enshrining new practices in regulation is particularly important for small players who lack the coercive and normative means required to limit corruption of their practices particularly by more powerful players in the field. My study differs from recent studies focused on large players in mature fields who are trying to forestall sanctions on industry through self regulatory bodies (e.g. Barnett & King, 2008). Furthermore, my study provides insight into factors that threaten the persistence of new practices and logic originally introduced by small players alongside the prevailing practices and logic within a mature organizational field. These include: 1) collaboration with pre-existing industry associations which once helped institutionalize that new logic; and 2) a growing number of new entrants that do not value the new logic. Similar to past studies (e.g., Maguire et al, 2004), I also found that collective action among small entrepreneurs and collaboration with key stakeholders in the mature

field helped institutionalize the VQA. Furthermore, like past findings (e.g., Scott et al., 2000), slow changing regulations and institutions that support the old logic may be threatening the persistence of the new logic.

#### **4.6 Discussion**

By exploring the dynamics associated with the creation and institutionalization of new practices introduced by small niche players in mature organizational fields, I have addressed four specific aspects: 1) who introduces new practices in a mature field; 2) what external forces cause prominent players, who owe their positions to established institutionalized arrangements, to adopt new practices; 3) how do small players convince participants within a mature field to accept their practices; and 4) how do practices originally introduced by a small player become institutionalized and remain institutionalized over time. First, I found that players that have connections –through what can be described as a structural hole (Burt: 1992, 2004) or, hold a boundary spanning position (Greenwood & Suddaby, 2006) with more prestigious fields - have the knowledge and ability to launch new practices within a focal field.

Second, by exploring how small players gain widespread acceptance of new practices, I considered two aspects: 1) why powerful players would accept those practices; and 2) action taken by small players to gain widespread acceptance of their practices. In the former case, similar to Sine and David's (2003) findings, powerful players were found to accept new practices as solutions to environmental jolts, and because other key stakeholders, such as the government and consumers, show interest in the new practices.

In terms of action taken by small players to gain widespread acceptance of their practices, I found that small players use some strategies that differ from those used by prominent players in mature fields (e.g., Greenwood et al., 2002) and by small players in emerging fields (Maguire et al., 2004). First, my findings suggest that small entrepreneurs within mature fields use strategies that mimic practices in more prestigious fields. They did so in order to export their products

to those other fields. Through such harmonization, field members were also able to see how their field can achieve the same success as the more prestigious fields that use those practices.

Second, unlike past studies (e.g., Greenwood et al., 2002), small entrepreneurs use what I describe as inclusive strategies in that they did not assign blame to old practices in terms of causing competitive problems in the face of the FTA. Instead, they introduced their practices in a way which complemented and protected powerful players' old practices. They did this by also structuring the VQA program on a per bottle basis. This allowed wineries to produce VQA as well as bottled wines using imported content. As such, the powerful players were able to continue using their old practices as well as dabble with new practices introduced by small players. Such inclusive strategies help mitigate resistance from powerful players when introducing new strategies. Because the small players did not assign blame of field issues on the old logic, one logic was not replaced by another as was the case in past studies (e.g., Greenwood et al., 2002). Instead, multiple logics coexist within the field. Third, the less powerful, institutional entrepreneurs also emphasized an industry/self-serving pragmatic need for change in order to get powerful players to accept their new practices. Thus, unlike past studies (e.g., Greenwood et al., 2002), they did not solely emphasize a moral obligation for change.

Similar to past studies, the new logic originally introduced by small players was institutionalized through collective action, and by involving key stakeholders in the process (Aldrich & Fiol, 1994; Maguire et al., 2004). These actions allowed the entrepreneurs to create new structural arrangements to confront competitiveness problems in the field at the time (Tolbert & Zucker, 1996). Moreover, by building consensus among the key stakeholders by inviting them to participate in the development of the VQA, the wineries created social consensus among organizations concerning the value of the VQA. This resulted in the increasing adoption of the VQA by organizations on the basis of that



consensus, as more and more members learned about the VQA as a solution to the competitiveness issues caused by the FTA.

My findings also reveal other types of action less powerful players use to introduce practices in mature fields, which differ from past studies (e.g., Aldrich & Fiol, 1994; Maguire et al., 2004). Past studies, for instance, tend to emphasize theorization and collective action used by small players to facilitate change. However, I also found that small players built legitimacy for a new logic by coupling symbol with substance. They used the symbols to communicate to consumers improvements made in the industry, and certified only high performing products. They also set standards that surpassed those in prestigious fields. Using a credible symbol and setting high standards allowed the small wineries to establish a credible market signal that consumers could trust (King et al., 2005). Furthermore, a certification symbol allowed these small players to differentiate their wines from those made with imported content without having to point out the negative aspects of the old practices used by large commercial players. By doing so, they were able to introduce their practices in a way which did not threaten prominent players' practices. This, in turn, reduced the risk of being shut down by those powerful players.

Furthermore, the small players lobbied the government to enact coercive measures involving an independent party in order to enshrine their logic in regulation. They did this to harmonize it with appellation systems in other fields, in large part, to export to those regions. Enacting coercive measures also decreased opportunism particularly by more, commercially oriented players who wanted to bend rules to suit their own needs. Therefore, unlike current literature, which focuses on large players who forestall sanctions on industry through self regulation (e.g., Barnett & King, 2008), my study suggests that small players in mature industries seek to enshrine a new logic in regulation. They do so in order to gain sanctions enforced by a third party and to preserve the rules and routines associated with that new logic. These findings also suggest that enshrining their new logic in regulation helps less powerful players gain the approval of key

stakeholders in their own field (i.e., consumers) and other fields (i.e., for exporting purposes).

Additionally, few studies to date have illustrated how the emergence and persistence of coexisting logics takes place within a field (exceptions include Reay & Hinings, 2009; Purdy & Gray, 2009; Dunn & Jones, 2010). My study sheds some light on the emergence of multiple logics in a field. It indicates that new practices and their embodied new logic (representing 100% domestic wine practices) introduced by small players do not automatically result in the disappearance and replacement of old institutional logics and practices. The new logic was layered on top of the old logic because of: 1) strategies used by small players to gain widespread acceptance of their new practices, which protected the old practices; and 2) powerful players' involvement in such control measures as funding the new logic.

My study also sheds light on influences that affect the persistence of a new logic which coexists along side an old dominant logic within a field. In the case of the VQA, its persistence is influenced by: 1) old institutions, regulations, and organizations that cater to old practices; 2) the consequences of strategies used by the institutional entrepreneurs to diffuse the new practices; and 3) new entrants. First, my study shows how new institutions are built alongside old institutions and are often influenced by those institutions. My findings suggest that the reproduction of VQA practices is being negatively affected by prevailing, slow-changing institutional structures that support the reproduction of old practices. For instance, the LCBO's high volume quotas required to attain a general listing to sell in their stores do not cater to small, estate wineries that produce low volumes of domestic wines.

Second, the persistence of the VQA is also influenced by consequences associated with the institutional pioneers' strategies. Collaboration with prevailing organizations and institutions, which originally helped diffuse the VQA, eventually was perceived by many industry members as slowing the growth of the

VQA wine market. Therefore, unlike past literature (Aldrich & Fiol, 1994; Greenwood et al., 2002), this suggests that such a collaborative relationship is not stable. Over time, collaboration with organizations and institutions, which are perceived as mainly supporting proponents of an old logic, will negatively affect the persistence of the new logic. This will eventually lead to the development of competing organizations representing the diverse logics.

Finally, the founding of a new generation of wineries, with different characteristics than those of past generations, currently threatens the persistence of the VQA. This is because VQA rules contradict the new generation of players' technical efficiencies or effectiveness. This case demonstrates how a growing population of new entrants can threaten the persistence of a newly institutionalized standard (Oliver, 1992). This is particularly so if this new population is immune to normative and coercive measures that influenced players to produce a new logic in the past. Therefore, my findings suggest that new practices originally introduced by small players are institutionalized if they address the needs of past generations. And, they remain institutionalized if they address the needs of future generations of organizations. This is particularly the case if they are immune to current enforcement mechanisms.

In terms of the persistence of the new logic introduced by the small, niche players, my study reveals that the persistence of a new, institutionalized logic is dependent on and intertwined with the persistence of an old logic. The reputation of the VQA wines is tied to the reputation of the bottled wines as it is difficult - because of what Tirole (1996) identifies as "imperfect observability" - for consumers to differentiate between VQA and other wines. This is because of current labelling regulations in Canada. As such, in cases where consumers have difficulty distinguishing between two coexisting logics, the proponents of one logic cannot attack proponents of another logic for short-term gain. Instead, the industry as a whole would benefit from working together to build the long-term reputation of the field.

My findings have important implications for theory in a number of areas. The first implication concerns the role of power. In this study, I considered the influence of niche practices and, in turn, niche logic on a mainstream logic within a *mature* field in a more systematic manner than that found in past literature. My study thus responds to Swaminathan's (1995) exhortation to consider niche market activity as a de-stabilizing force. Therefore, unlike past research, this study does not focus on the proliferation and maintenance of boundaries between two markets (e.g., Carroll and Swaminathan, 2000), but rather considers the spillover of a niche logic into mainstream markets.

My study also describes strategies less powerful field players use to gain acceptance of their new practices by powerful players in a *mature* organizational field. Past studies have instead focused on action taken by prominent players in mature fields (e.g., Greenwood et al., 2002) or small players in emerging fields (e.g., Maguire et al., 2004). Unlike past studies, I found that small players in mature fields use strategies that help prominent players see the value of their practices. They did so by: 1) harmonizing their new practices with practices in more prestigious fields; and 2) using inclusive strategies that take into account the powerful players' needs when designing or diffusing new practices. Essentially, my study thus offers insight into how the struggle between an old guard dedicated to preserving the status quo and a new guard interested in taking advantage of a situation created by a crisis takes place (Maguire et al., 2004: 675). It considers strategies used by small, less powerful institutional entrepreneurs in mature fields when trying to gain acceptance from prominent players who want to maintain the status quo.

Moreover, my study considers constellations of logics rather than one logic replacing another. Like Purdy and Gray's (2009) study of institutional entrepreneurship in *emerging* fields, my study provides insight into the conditions that contributed to the coexistence of logics, and the interaction of these logics over time in a *mature* organizational field. In the case of an institution originally

introduced by a small player in a mature field, this study shows that strategies, used by these small players and the existence of old institutions and organizations supporting both logics, led to the coexistence of multiple logics within the focal field.

Third, responding to Purdy and Gray's (2009: 375) suggestion to consider field structures along with institutional entrepreneurship, my study illuminates how prevailing institutions influence the ability for organizations to reproduce new institutionalized practices – both enabling and constraining it. My study not only reveals how existing institutions influence the diffusion stage (Greenwood et al., 2002; Purdy & Gray, 2009), but also reveals how existing institutions that cater to older practices can also slow down the growth or limit the reproduction of new practices. It also highlights how field structural characteristics and institutional entrepreneurial strategies, which once were successful in diffusing new practices may, in time, negatively affect the practices' persistence. In the case of the VQA, institutional entrepreneurial inclusive strategies (e.g., collaboration with an industry association representing proponents of the old logic) combined with existing, slow changing regulations, later came back to haunt the successful reproduction of VQA practices. As such, this study demonstrates how successful institutional entrepreneurial strategies, as well as field structures that facilitate diffusion of new practices introduced by small players, differ from strategies and field structures that encourage the persistence of those new practices within a mature field. Ultimately, similar to Purdy and Gray's (2009: 376) work, my study outlines an institutionalization process that does not reflect a linear pattern, but instead “complex patterns of political moves and countermoves” of existing institutions, new institutions, and generations of organizations over time.

Moreover, my study reveals other influences besides a field's prevailing structures that facilitate or hinder the persistence of new institutionalized practices within a mature field. VQA rules which contradict a growing population of new entrants' technical efficiency is affecting the new entrants' cognitive belief in the

institution and, as such, causing them to call for change. This, in turn, threatens its institutionalization, or its persistence from generation to generation (Tolbert & Zucker, 1996). Although scholars note how later generations can affect the institutionalization of new practices (e.g., Tolbert & Zucker, 1996), few studies have demonstrated how the emergence of new entrants, who are immune to coercive and normative institutional mechanisms, may pose a threat to the institutionalization of new practices. Instead, most studies have considered the emergence of a growing population of new entrants as a consequence of field disruptions (e.g., Hoffman, 1999) or social movements brought about by democratic change (e.g., Rao et al., 2003) rather than the cause of change in a field. Other studies consider how a growing population of new entrants causes field members' attention to shift to the existing logic "most consonant with the new entrants'" purpose (Dunn & Jones, 2010: 127). These scholars, however, consider the fluctuation of already existing logics. Hence, they do not consider how a growing population of new entrants may de-institutionalize or threaten the persistence of a new logic. Furthermore, few studies consider the sedimentation phase of institutionalized practices but instead focus on the habitualization and objectification phase. Most studies for instance focus on the stage of institutional change between when practices are seen as new and when they become legitimized (e.g., Maguire et al., 2004; Reay et al., 2006: 994).

In sum, similar to Hoffman (1999), this study reveals that although institutions may achieve a rule-like state, the state of the institution is never stagnant. It will evolve with the entry and exit of organizations, and will evolve with changes in interactive activity within a field.

In the next chapter, I outline methodologies for quantitative studies that will test hypotheses involving endogenous and exogenous forces presented and/or proposed in this chapter and Chapter 2 as facilitating the diffusion of small players' practices within the Canadian wine field.

## 5.0 QUANTITATIVE STUDIES: METHODS

This chapter will present the methods used in the two quantitative studies on the Canadian wine industry that follow. The quantitative studies consider the relationship between various exogenous and endogenous forces proposed and presented in Chapters 2 and 4 and the diffusion of small players' practices.

### 5.1 Data

The population for these studies is based on Canadian wineries existing between 1985 and 2000. An industry directory published by Wines and Vines, which dates back to 1953, is used as a source of longitudinal data. It includes the following information on 2,500 wineries in North America: location, varietal types grown, acres owned, product types produced, casegood production, personnel names, distribution, and importing and exporting activity. These directory data have been supplemented and verified with secondary and primary sources of information. To illustrate this, icewine production per organization, for instance, was verified using published books regarding the Canadian icewine industry. These books give the year when particular icewine producers began making icewine commercially (Schreiner, 2001). Additionally, information obtained in interviews and, to a lesser extent, surveys have been used to supplement and verify the accuracy of these data. For wineries located in Ontario, I gathered information during interviews. For wineries located in Canada outside Ontario, I sent out a mini-questionnaire (survey) in the Fall of 2008 in order to collect information that is required for my analysis but not found in secondary sources.<sup>32,33</sup> Although I followed up my initial survey with a phone call, the response rate was very low. Out of the 285 surveys sent to Canadian wineries

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<sup>32</sup> See Appendix VI for a sample of the questionnaire and Appendix VII for the ethics board consent form for survey participants.

<sup>33</sup> In the Fall of 2008, I obtained lists of wineries from the provincial commissions that give licenses for alcohol production. I identified the grape wineries from those lists. I then sent these wineries a survey. I sent 285 grape wineries (those identified as operating in the Fall of 2008 by the various provincial commissions and existing outside of Ontario) surveys to fill in to supplement my data.

existing in the Fall of 2008 outside of Ontario, I only received 18 surveys (response rate of 6%). Other archival information (e.g., Canadian Newsstand database) was used for such variables as theorizing.

The studies consider the period between 1985 and 2000 because online media databases began to cover major Canadian news sources in 1985. The first large scale commercial release of icewine occurred in the early 1980s (Phillips, 2006). VQA Ontario, a standards body that oversees the production and appellation of wine in Ontario, became a regulatory body in 2000. This institutionalized such practices associated with the production of icewine and 100% domestic wine originally introduced by small players within Ontario. In BC, the VQA became a regulatory body in 2007. Because icewine and practices associated with 100% domestically produced wine were first enshrined in regulation and thus institutionalized in Canada beginning in the year 2000, I include in my sample Canadian wineries existing from 1985 to 2000.<sup>34</sup> Overall, 243 grape wineries were counted as existing from 1985 to 2000 in all of Canada.<sup>35</sup> I obtained data on 129 of those wineries for Study 1 and 95 of those wineries for Study 2.

#### *5.1.1 Dependent Variables*

*Icewine production:* The Dependent Variable for Study 1 (see Chapter 6) is icewine production. Icewine production was chosen as representative of a new practice introduced by small players in the Canadian wine industry. Icewine has been commercially available on a large scale basis in Canada only since the early 1980s. The wine industry in Canada has been producing table wine for at least a century.

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<sup>34</sup> Because many independent variables were lagged, one year is lost in the analysis. The sample set described in this study thus covers the period between 1986 and 2000.

<sup>35</sup> This number also includes subsidiaries. Subsidiaries are counted as separate entities if Wines and Vines lists them separately.



Wineries are coded as either being an icewine producer or not. This is a dichotomous variable, where a value of 1 indicates that an organization is an icewine producer and 0 if it is not in any given year. Thus, a winery is coded with a value of 1 the year it first began producing icewine and subsequent years thereafter. This information was either obtained from the Wines and Vines directory, the book, “Icewine: The Complete Story” by Schreiner (2001), or from survey and interview information. Although icewine is not produced every year due to, for example, weather conditions, wineries are coded as being an icewine producer in a given year if it produces icewine most years.<sup>36</sup>

Out of the 243 wineries existing from 1985 to 2000, 15 of those existed in areas such as Vancouver Island where weather conditions do not permit the production of icewine. According to VQA rules, icewine grapes must be picked in temperatures below -8 degrees Celsius. As such, these 15 wineries were dropped from the sample set.

*Counts of Canadian brands (organizational level):* The dependent variable for Study 2 is counts of Canadian brands (see Chapter 7). Following

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<sup>36</sup> The only precise information I had was whether or not a winery was an icewine producer or not. I did not have information on whether a winery did not produce icewine in a given year due to, for example, poor weather conditions. Whether a winery is an icewine producer or not usually means that wineries will produce icewine most years. I verified all icewine data using the Wines and Vines directory, *Icewine: The Complete Story* by Schreiner (2001), *Vintage Canada* by Tony Aspler (1999), and my interview data. Because the secondary sources of information used to verify the data were published around or after the period I consider in my study, it is unlikely that any winery listed as an icewine producer in those sources stopped producing icewine from 1985 to 2000. In my interviews, I also asked wineries whether or not they produce icewine, and if so, what year they started producing icewine. In certain cases where wineries disappeared from the secondary sources of information used (e.g., Wines and Vines annual directory), and I could not verify when those wineries went bankrupt (in about five of the cases), I no longer included the winery in my analyses and coded those years as missing. There was one case where I could not verify when a winery started producing icewine. In this case, I started listing the winery as an icewine producer the year it first appeared in Wines and Vines. For this winery, the years prior to the year it appeared as an icewine producer in Wines and Vines were coded as missing.

Glynn and Abzug (2002), I consider brand names as a symbol of an organization's identity. In particular, I consider brand names that reflect a Canadian identity. Wines with Canadian brand names were mainly used by small, niche players up to the 1990s. Instead, large, commercial players principally had European style brand names to mask the fact that their wines were made in Canada (see Section 3.2.1). Canadian brand names were considered to reflect a Canadian identity if they had the name of a Canadian winery and/or contained a name of a Canadian area or region like Niagara. For example, in the case of Andrés winery, its brand name called Domaine d' Or was not counted as having a Canadian identity. However, the brand name Andrés, named after the winery, would be counted as having a Canadian identity (Wines and Vines, 2000). For this reason, I took into consideration the consumers' perspective when coding for brands that reflected a Canadian name. If I thought that a consumer would recognize the name of the brand as associated with a Canadian winery or place, then it was counted as a Canadian brand name. This variable represents counts of brands for each winery that reflect a Canadian identity per year from 1985 to 2000.

### *5.1.2 Independent Variables*

*Theorizing:* I assessed theorization made by Canadian wineries by searching the Canadian Newsstand database for articles that described wineries promoting: 1) Canadian icewine in Study 1; and 2) practices associated with or wineries that produce 100% domestic wine for Study 2. In the studies, logics are assumed to be embodied in practices and organizational forms. As such, in Study 1, positive theorization statements about icewine were also considered to be statements about the new logic associated with icewine production. In Study 2, positive theorization statements about 100% domestically-produced wine using high quality grapes (e.g., European vinifera and select hybrids) were considered to be statements about the new logic associated with 100% domestic wine production. Similar to Rao, Monin, and Durand's (2003: 817) study, I considered positive statements as theorization statements if they: 1) popularized icewine

(Study 1) or 100% domestic wine production (Study 2); 2) advanced rationales for the adoption of icewine (Study 1) or 100% domestic wine production (Study 2); and 3) emphasized success stories of icewine (Study 1) or 100% domestic wine production (Study 2) by specific wineries or the Canadian wine industry in general.

Winery representatives may have been quoted or written as stating (e.g., paraphrased) positive theorization statements about Canadian icewine or 100% domestic wine production. If an article contained a positive theorization statement, then it was counted.<sup>37</sup> As such, I coded articles rather than positive theorization statements. For example, if an article contained more than one positive statement made by different wineries, I counted it as one instance of theorization. Table 5.1 illustrates positive theorization statements about icewine production (Study 1). Table 5.2 illustrates positive theorization statements about 100% domestic wine production (Study 2). I made separate variables for positive theorization counts made by small, medium and large players. I checked the winery's size by using the Wines and Vines directory and my interview or survey data.

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<sup>37</sup> I counted all positive theorization statements in my study regardless of whether or not they were repetitive. Thus, if two different media outlets used the same theorization statement in their articles, I would count both theorization statements. Newspapers may carry the same story or quote. In a few instances, the same theorization statement appeared in more than one newspaper on the same day or within a few days of each other. I did this because I consider the volume and content of theorization statements about a new practice as facilitating the diffusion of that practice (see arguments proceeding Hypothesis 1 in Sections 6.2.1 and 7.3.1 for more information).

<p><b>Table 5.1</b></p> <p><b>Quantitative Study 1: Illustrations of Positive Theorization Statements</b></p>		
<b>Theorization Message</b>	<b>Data Source</b>	<b>Illustration</b>
<p>Icewine is a money-maker for wineries.</p> <p>Icewine is in high demand by consumers.</p>	<p>Niagara ice wine proves a hot seller; [FINAL Edition] The Ottawa Citizen. Ottawa, Ont.: Jan 12, 1988. pg. D.9</p>	<p><i>"This year is a very good year for the natural sugar content," said Peter Neuroth, who is an apprentice to winemaker Herbert Konzelmann. "The consistency of the squeezed grapes now is like honey. There's no water left. The grapes are completely dehydrated (by being frozen)" ... It's expensive to make because of the time it's on the vine and it's all picked by hand," Neuroth said ... But the variety is as much tradition as it is a moneymaker, he said. Most Niagara winemakers produce an Eiswein."</i></p> <p><i>"People buy it [icewine] up very far in advance," Smirnis [Hillebrand spokesman] said. "It's very hard to get a bottle."</i></p>
<p>Icewine elevated the Canadian wine industry's reputation.</p>	<p>Ice wine puts Canada in global limelight; [Final Edition] Alan Daniels, Sun Tourism Reporter. The Vancouver Sun. Vancouver, B.C.: Jan 22, 1999. pg. F.1.FRO</p>	<p><i>"It's Canada's wine," said Harry McWatters, co-owner of Sumac Ridge Estate Winery in Summerland. "We didn't invent it. It came from Germany but we have the highest ice wine standards of any place in the world ... It's Canada's entree into the world market for premium alcoholic beverages. France has champagne and cognac. We have ice wine. It gives us that same prestigious image. It makes believers out of the rest of the world -- as well as Canadians -- that we are now in the premium beverage business."</i></p>
<p>Icewine is in high demand by consumers.</p>	<p>The Donald: Donald Ziraldo dared challenge the status quo of the Canadian wine industry and forever changed it -- for the good; [Final Edition] Janice Kennedy. The Ottawa Citizen. Ottawa, Ont.: Dec 3, 2000. pg. C.4</p>	<p><i>And then there's the icewine, the precious Inniskillin commodity that, says Ziraldo, almost sells itself. "What we really need to do is just get around the world and show it to people. The French buy it, the Italians, the Californians, the Japanese. You don't have to convince anybody. And it has a fit with Canada. Whether it's ice hockey or mountains, it's just that suggestion of ice and purity and Canada. People buy it."</i></p>

**Table 5.2**  
**Quantitative Study 2: Illustrations of Positive Theorization Statements**

<b>Theorization Message</b>	<b>Data Source</b>	<b>Illustration</b>
Producing high quality 100% domestic wines will help wineries and the wine industry survive Free Trade.	GATT and Free Trade deal double whammy for wine: Grape growers pressed; [Weekly Edition] John Geddes. Financial Post. Toronto, Ont.: Mar 28, 1988. pg. 1	<i>"It's going to be very tough [due to the FTA]," says Walter Schmoranz, wine maker and general manager of the cottage-sized Pelee Island Winery and Vineyards Inc., in Western Ontario ... "I have to believe we [cottage winery that makes 100% domestic wines] will find a niche. Better educated wine drinkers in Ontario are proud we make good wines here, and I believe that will help us."</i>
Emphasizing success story behind winery that produces 100% domestic wine.  100% domestic wine practices [embodied in VQA wine making standards and appellation rules] are the best thing that happened to the wine industry.	THE CANADIAN WINE REVOLUTION: After years as outcasts, our wineries are winning rave reviews and international prizes; [Weekly Edition] Araminta Wordsworth. Financial Post. Toronto, Ont.: Jul 20, 1992. pg. S.14	<i>Business-class passengers on Air Canada will also get to sample Cave Spring products. The airline has ordered 1,500 cases of Chardonnay - "the largest single order we've ever received," says Pennachetti ... Pennachetti says he plans to double production by the 1994 crush ... Pennachetti becomes almost lyrical as he describes his pleasure at living in the place where his grapes grow. "The clusters are there every spring. I can see something tangible - and know they'll give me a return ... "The greatest thing [the VQA] that happened to the wine industry," says Pennachetti, who was one of the winemakers involved in drawing up its bylaws ... "We make only VQA wines," Pennachetti says. "It's our policy, our philosophy."</i>
100% domestic wine sector helps boost the sagging economy of a region.	Boosting prospects in paradise; Prince Edward County has some of Ontario's most beautiful countryside, but its farm-based economy has lagged. Now wine and wines hold promise of prosperity; [Ontario Edition] Patricia Henderson. Toronto Star. Toronto, Ont.: Aug 14, 2000. pg. D.01	<i>"There is a grape rush happening here [in Prince Edward County]," says Grant Howes, owner of The County Cider Co., an estate winery ... "We have all the right things as a wine-growing region - the geographical orientation for sun, the moderating effect of the lake and an ideal soil for grapes ... Last year we got \$20 a ton for apples, which meant losing about \$40 a ton," says Howes. "At the same time, Niagara was complaining about only getting \$800 a ton for mechanically picked grapes ... And there will also be tremendous offshoots [in Prince Edward County] for the restaurant and hotel industry. People will come for a true country experience."</i>

Because many newspapers were not available in Canadian Newsstand<sup>38</sup> until the 1990s, I decided to focus on major newspapers: 1) that had full-length articles in Canadian Newsstand from 1985 to 2000; and/or 2) that were published in major cities located close to a wine-producing region, and that had existed from 1985 to 2000. The newspaper publications that had full-length articles in Canadian Newsstand from 1985 to 2000 included The Globe and Mail, The Gazette (Montreal), Toronto Star, Financial Post, Kingston Whig-Standard, and The Ottawa Citizen. Included in my study were other newspapers published in regions with close proximity to major wine-producing regions that also existed from 1985 to 2000. These newspapers included The Spectator (Hamilton), The Vancouver Sun, The Times-Colonist (Victoria), and The Windsor Star.

For those newspapers published in cities close to wine-producing regions, and were not included in the Canadian Newsstand database for the whole period ranging from 1985 to 2000 (e.g., Vancouver Sun), I searched for a printed subject index to help me identify articles that may have contained theorization statements but were not available online. I used the Canadian Newspaper Index, which listed articles for The Vancouver Sun under such subjects as “Wine industry”, “Champagne”, and “Wine”, for the years in which the publication did not appear online (1985, 1986, and first half of 1987). I also used the British Columbia Legislative Library Newspaper index under such subjects as “Wine” and “Winemaking” to search for articles in The Vancouver Sun and The Times-Colonist (Victoria) (from 1985 to end of 1990). I then searched for these articles listed under the subjects pertaining to wine on microfilm and searched for any positive theorization statements contained in a given article.

Given the proximity of these newspapers to winemaking regions, I decided to include The Windsor Star and The Spectator (Hamilton) even through

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<sup>38</sup> Canadian Newsstand offers “access to the full text of nearly 300 newspapers from Canada's leading publishers, including The Globe and Mail. This full text database includes the complete available electronic backfile for most newspapers, providing full access to the articles, columns, editorials, and features” (ProQuest website, 2010).

they are not available in the online Canadian Newsstand database for the full period ranging from 1985 to 2000. The Windsor Star is available in the Canadian Newsstand beginning in 1986, and The Spectator is available in Canadian Newsstand starting in 1991. I could not find printed subject indexes that covered the years in which these newspapers were not available in the online database. As such, for these two newspapers, I extrapolated the number of articles that would be included in those newspapers in the missing years. I calculated the average number of theorization statements counted in those newspapers for the first three years that the newspaper appeared in Canadian Newsstand by the total counts for all newspapers in my search for those same years (e.g., for The Spectator, the summed theorization counts for 1991, 1992, and 1993 over the total theorization counts for all newspapers in the search from 1991, 1992, and 1993). This gave me an indication of the percentage of theorization counts originating from that newspaper in the first few years that the newspaper appeared in Canadian Newsstand. In Study 1, I then inflated the total counts by the result, 14%, to take into account theorization counts about icewine production that appeared in The Windsor Star and 42% to take into account theorization counts that appeared in The Spectator (Hamilton) for each year these newspapers were not available in Canadian Newsstand (e.g., 1985 for The Windsor Star, and 1985 to 1990 for The Spectator). In Study 2, I then inflated the total counts by the result, 17%, to take into account theorization counts about 100% domestic wine production that appeared in The Windsor Star and 33% to take into account theorization counts that appeared in The Spectator (Hamilton) for each year these newspapers were not available in Canadian Newsstand (e.g., 1985 for The Windsor Star, and 1985 to 1990 for The Spectator).<sup>39</sup>

My aim was to make my search as general as possible to capture as many articles in the search as possible. In the ProQuest database, I used the following search terms (four lines) within the advanced search option to identify relevant

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<sup>39</sup> As explained in the results section, results are substantively unchanged without this extrapolation.

articles: 1) Canadian or Canada or Ontario or BC or British Columbia or Alberta or Manitoba or New Brunswick or Nova Scotia or Newfoundland or Niagara or Okanagan or Quebec or Prince Edward Island or Prince Edward county (within same paragraph) wineries or winery or vineyard (document text); 2) winery or wineries or vineyard (within three words) domestic or estate or cottage or boutique or tiny or small or local or farm or family (document text); 3) founder or owner or winemaker or entrepreneur or representative or president or director or CEO or head of or manager (document text); and 4) "Whig" or "Financial Post" or "Globe and Mail" or "Gazette" or "Toronto Star" or "Ottawa Citizen" or "Vancouver Sun" or "Windsor Star" or "Spectator" or "Times - Colonist" (publication title).

In sum, I counted the number of articles associated with icewine production (Study 1) or 100% domestic wine production (Study 2), in those media outlets identified above, containing positive theorization statements made by wineries of different sizes (small, medium, and large wineries) for each year. The theorization variables in Study 1 and Study 2 were lagged. The lagged theorization statements were used to determine if positive theorization statements made by wineries of various sizes in Canada about icewine (Study 1) or 100% domestic wine production (Study 2) in the previous year affected the diffusion of icewine (new practice introduced by small players) or Canadian brand names (identity symbols associated with small players) in a subsequent year.

*Cumulative positive theorization statement counts:* This variable represents cumulative counts of positive theorization statements made by small, medium, or large wineries about icewine (Study 1) or 100% domestic wine production (Study 2) in specific Canadian Newsstand media outlets (outlined in previous section) for each year starting in 1985 and ending in 2000. This variable was lagged to determine if cumulative theorization statements made by wineries in Canada about icewine (in Study 1) or 100% domestic wine production (in Study 2) in previous years affected the diffusion of icewine production or Canadian brand names in a subsequent year.



*Jolt – Free Trade Agreement:* The 1989 Free Trade Agreement (FTA) between Canada and the US has been identified in numerous publications and interviews as the catalyst for overhauling Canadian wine quality (Aspler, 1999, 2006; Schreiner, 2006; Phillips, 2006). The agreement stripped away Canadian wines' protected status, such as their preferred listings and lower prices in provincial liquor stores. With this agreement, wine made with lower quality Labruscan grapes simply could not compete with imported wines made with higher quality vinifera. The competitiveness problems presented by the FTA are described in my study as an environmental jolt (Meyer, 1982). This is a dichotomous variable which is coded as 0 prior to 1989 and 1 for the year of and after, 1989.<sup>40</sup>

*Icewine awards received from a prestigious field (field level):* This variable represents counts of awards received by all Canadian wineries for icewine per year at the Challenge International du Vin in the Bordeaux region.<sup>41</sup> Tony Aspler (2006: 46), a prominent wine writer in Canada, attributes Canadian winemaking as first gaining global attention when, in 1991, Inniskillin won first

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<sup>40</sup> This variable was not lagged given that I assumed wineries would have anticipated the coming of the FTA and its effect on the industry prior to when the agreement was put in place.

<sup>41</sup> I contacted many competitions in Europe and the United States to gather complete information regarding awards won by Canadian wineries throughout the existence of their competition. These competitions include American wine society awards, Concours Mondial, Decanter World Wine Awards, Taster Guild, International Wine Challenge in the UK, Pacific Rim International Wine Competition, San Francisco International Wine Competition, and The Wine and Spirits Competition in the UK. I attempted to gather information only on competitions in Europe and California. These fields are known to have great wine-producing reputations and, in some cases, have a very long history of wine production. I considered only award competitions that began operation at least five years prior to my study end date (2000). The only competitions that provided me with complete yearly information regarding awards received by Canadian wineries were Challenge International du Vin in Bordeaux and Concours Mondial in Brussels. Given that Challenge International du Vin was often identified as the most prestigious competition by interviewees, and since the awards come from one of the most prestigious winemaking regions in the world, I chose to include these counts to represent awards received from a prestigious wine field.

place at the biennial wine fair's Challenge International du Vin competition in Bordeaux. This was one of only 19 awards for the 4,100 wines that were submitted that year by 40 countries. The Challenge International du Vin, also known as Vinexpo, was often identified in interviews by winery representatives and industry experts as the most prestigious competition in the world. This competition has been in existence for 34 years and annually has about 5,000 entries from over 30 countries. For Study 2, I counted icewine awards and not total awards because Vinexpo did not specify whether or not award-winning Canadian wine was made with 100% domestic content (e.g., VQA certified). This variable was lagged to determine if awards won by Canadian wineries affected the diffusion of icewine production or Canadian brand names in a subsequent year.

*Cumulative icewine awards received from a prestigious field (field level):*

This variable represents cumulative counts of Challenge International du Vin awards (held in Bordeaux) received by Canadian wineries for icewine (outlined in previous section) for a given year, starting in 1985 and ending in the year 2000. This variable was lagged to determine if cumulative awards won by Canadian wineries affected the diffusion of icewine production or Canadian brand names in a subsequent year.

### *5.1.3 Control Variables*

*Wine sales per year:* I controlled for wine sales per year within Canada given that increased wine consumption may influence the increased production of wine by wineries and the diffusion of a new wine product by Canadian wineries.<sup>42</sup> The source of this data is the Statistics Canada study entitled: "Sales of alcoholic beverages by volume, value and per capita 15 years and over, fiscal years ended March 31, annual, from 1950 to 2008".

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<sup>42</sup> I did not control for population or GDP per capita given that these two variables were highly correlated with wines sales per year in Canada (92% correlation with the former; 98% correlation with the latter). Furthermore, population and GDP per capita were also highly correlated with wines sales per capita in Canada (87% correlation with the former; 98% correlation with the latter).

*Winery size:* I control for the possibility that firms adopt new practices based on their size. The Wine Council of Ontario (WCO), the main industry association, states that there are no 'official' size designations for wineries. However, at the WCO, four rough categories are used based on annual (9-litre) case sales:

1. Craft wineries - annual sales up to 5,000 cases
2. Small wineries – annual sales between 5,000 and 30,000 cases
3. Mid-size wineries – annual sales between 30,000 and 500,000 cases
4. Large wineries – annual sales of over 500,000 cases

Because currently there are no stated official size designations of wineries in Canada, I use the WCO's norms of annual casegood production to identify small players. However, in order to simplify the analysis, I categorize small players as those producing less than 30,000 cases per year, medium wineries as producing between 30,000 and 500,000 cases per year, and large wineries as producing over 500,000 cases. Typically, large wineries are mass producers of wine. These producers dedicate a large portion of their production to producing blended wines using grapes bought from other countries. In BC, for example, mass producers are known as commercial wineries that have a commercial license to bottle and sell wine using imported grapes (Schreiner, 2006). I used the Wines and Vines Annual Buyer's Guide, which gives an indication of a winery's size according to cases produced per year or storage capacity or interview data, to determine a winery's size.

In some cases, the Wines and Vines Buyer's Guide sometimes gives only an indication of a winery's storage capacity (gallons per year) in certain years. Based on careful analysis, I identified cut off points for large, medium, and small winery sizes, based on a winery's storage capacity. I developed these cutoff points by considering winery counts per size in 1985 and in 2000 to determine cumulative percentage of wineries at each size. These were as follows: 1) small wineries were those with a storage capacity of less than 250,000 gallons; 2) medium wineries were those with a storage capacity between 250,000 and

1,000,000 gallons; and 3) large wineries were those with more than 1,000,000 gallons of storage capacity. I constructed three variables for small, medium, and large wineries that take on a value of 1 for the respective size category or 0 otherwise.

*Age:* To control for the possibility that new practices and identity symbols may be adopted by wineries according to when they were founded (e.g., newer wineries may be more inclined to adopt new practices), I include a measure of the age of a winery, which is the year minus the founding date of each winery.

*Subsidiary:* To control for possible parent company effects on the adoption of icewine and Canadian brand names by their subsidiaries, I include a measure for subsidiary. An entity was identified as a subsidiary if it was listed separately in the Wines and Vines directories, had the same name as a parent company, and was owned by the same company. The parent company was identified as a parent company if it was either identified as such in the Wines and Vines annual directories, or was founded prior to the entities which had the same name as the parent company. For example, the following winery entities may be listed in the Wines and Vines annual directories: 1) “Chateau Chardonnay Ontario”, founded in 1970; 2) “Chateau Chardonnay Quebec”, founded in 1980; 3) “Chateau Chardonnay Atlantic Provinces”, founded in 1985; and 4) “Chateau Chardonnay British Columbia”, founded in 1990.<sup>43</sup> In this case, I would identify “Chateau Chardonnay” in Ontario as the parent company since it was founded first, and identify the other entities as subsidiaries. This is a dichotomous variable

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<sup>43</sup> This is a fictional entity used to illustrate an example of real entities listed in Wines and Vines.

where an entity is 1 if it is a subsidiary, and 0 if the entity is not a subsidiary.<sup>44,45</sup>

*Total brands:* In Study 2, because the number of Canadian brands may be related to the number of total brands, I also controlled for each winery's total number of brands.

## ***5.2 Model Specifications***

A panel data design was used to test the hypotheses. Most independent variables (with the exception of size, age, subsidiary, and jolt) were lagged to trace the effects of an independent variable in a particular year (e.g., theorization) on the diffusion of new practices in the subsequent year. Jolt was not lagged given that wineries within the Canadian wine industry would have anticipated the coming of the FTA. Because many independent variables were lagged, the sample in this study covers a fifteen-year period between 1986 and 2000.

In Study 1 and Study 2, I accounted for the panel nature of the data - observations within panels come from the same experimental unit measured over time - by using a generalized estimating equation (GEE) approach (see Hardin & Hilbe, 2003). The experimental unit in my study is the winery. The GEE algorithm accounts for correlation between records within the same subject between the various years, thus providing an improved standard error estimate

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<sup>44</sup> I opted to delete wineries in regions where icewine could not be produced. As such, I did not use a variable to control for particular regions within Canada where the winery is located (e.g., BC, Ontario, and Quebec/Nova Scotia). I did attempt to use a polytomous (categorical) variable for the eight provinces where the wineries in my sample exist. However, due to the large number of regional variables added to the model, the model would not run. I also created a dichotomous variable whereby 1 indicates that the winery existed in an area where icewine can be made and 0 if not. However, this dichotomous variable did not add to the analysis, but instead weakened the analysis.

<sup>45</sup> I could not use owner information to identify subsidiaries given that I did not have complete information about the ownership of all wineries in my sample.

(see Allison, 2001).<sup>46</sup> Because fixed effects methodologies cannot account for correlations within same subjects over time, GEE is argued to be more widely applicable for panel data. This is so given that it uses the information available more efficiently to estimate coefficients (see Schneper & Guillen, 2004; Allison, 2001).

For all GEE models in Study 1 and Study 2, I used an exchangeable correlation structure, which assumes equal correlation between all records within the same subject. I also used the variance-covariance matrix (vce) robust option. This option obtains and uses robust standard errors when testing the models. This helped ensure that the model was not affected by outliers or small departures from the model.

#### *5.2.1 Study 1*

Although 243 wineries were counted as existing during that time, 129 of those wineries had the complete information (dependent and independent variables) required to trace the diffusion of the specified new practice over the study's period. There are a total of 1109<sup>47</sup> observations during the 15-year time period of the study. Tables 5.3 and 5.4 provide a comparison of sample and population data according to age and location of each organization. I obtained the majority of organizational size information from the Wines and Vines directories. As such, I do not have size information for all the organizations which existed in the Canadian wine industry from 1985 to 2000. The tables indicate that the sample is quite representative of the population.

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<sup>46</sup> I tried running the model using a mixed logistic random-intercept model with an exchangeable or unstructured correlation (ar1 correlation in this model is not possible in Stata). Unfortunately, the model would not run with a correlation; instead, it defaulted to an independent correlation, which is an unrealistic assumption for panel data.

<sup>47</sup> Each winery exists in the data set from the time it is founded to the time of its exit, or is excluded by Stata if data is not available for that winery in a given year.

<b>Table 5.3</b>				
<b>Quantitative Study 1: Regional Location for Sample and Population</b>				
	<b>Sample (Frequency)</b>	<b>Population (Frequency)</b>	<b>Sample (Percent)</b>	<b>Population (Percent)</b>
<b>British Columbia</b>	37	69	29	30
<b>Ontario</b>	50	80	39	35
<b>Quebec</b>	31	61	24	27
<b>Nova Scotia</b>	5	8	3	3
<b>New Brunswick</b>	1	4	1	2
<b>Alberta</b>	4	4	3	2
<b>Manitoba</b>	1	1	1	0.5
<b>Prince Edward Island</b>	0	1	0	0.5
<b>Total</b>	129	228*	100	100
<b>Number of groups</b>	129	228*	129	228*

\* 15 wineries were deleted from the population because they were located in areas where icewine cannot be produced.

<b>Table 5.4</b>		
<b>Quantitative Study 1: Average Age of Wineries in Year 2000</b>		
	<b>Sample</b>	<b>Population</b>
<b>Age in year 2000</b>	11.61	10.60

I performed the statistical analyses using Stata's GEE function for the estimation of generalized linear models with a logit link and binomial distribution. For the logit link, the model is as follows:

$$\Pr(y_i = 1 | x_i) = \text{logit}^{-1}(\beta_1 + \beta_2 x_i) = \frac{\exp(\beta_1 + \beta_2 x_i)}{1 + \exp(\beta_1 + \beta_2 x_i)}$$

Or

$$\text{Logit}\{\Pr(y_i = 1 | x_i)\} = \ln\left\{\frac{\Pr(y_i = 1 | x_i)}{1 - \Pr(y_i = 1 | x_i)}\right\} = \beta_1 + \beta_2 x_i$$

$$\text{Odds}(y_i = 1 | x_i)$$

The curly brackets above represent the odds that  $y_i=1$  given  $x_i$ , the expected number of 1 responses for each 0 response.  $x_i$  represents the explanatory or independent variables in the model ( $x_i = x_{2i}, x_{3i}$  etc...). The natural log [ln] of the odds, or logit function of the probability, is equated to the linear predictor (Rabe-Hesketh & Skrondal, 2008: 233).

### 5.2.2 Study 2

Although 243 wineries were counted as existing during that time, 95 of those wineries had the complete information required to trace the diffusion of Canadian brands over the time period the study took place. There are a total of 824 observations during the 15-year-long time period of the study. Tables 5.5 and 5.6 provide a comparison of sample and population data according to age and location of each organization. As noted above for Study 1, I obtained the majority of organizational size information from the Wines and Vines directories. As such, I do not have size information for all organizations which existed in the Canadian wine industry from 1985 to 2000. The tables indicate that the sample is quite representative of the population.

<b>Table 5.5</b>				
<b>Quantitative Study 2: Regional Location for Sample and Population</b>				
	<b>Sample (Frequency)</b>	<b>Population (Frequency)</b>	<b>Sample (Percent)</b>	<b>Population (Percent)</b>
<b>British Columbia</b>	30	83	32	34
<b>Ontario</b>	31	80	33	33
<b>Quebec</b>	27	61	28	25
<b>Nova Scotia</b>	4	8	4	3
<b>New Brunswick</b>	0	5	0	2
<b>Alberta</b>	2	4	2	2
<b>Manitoba</b>	1	1	1	0.5
<b>Prince Edward Island</b>	0	1	0	0.5
<b>Total</b>	95	243	100	100
<b>Number of groups</b>	95	243	95	243

<b>Table 5.6</b>		
<b>Quantitative Study 2: Average Age of Wineries in Year 2000</b>		
	<b>Sample</b>	<b>Population</b>
<b>Age in year 2000</b>	13.95	10.33

I performed the statistical analyses using Stata's GEE function for the estimation of generalized linear models with a log link and Poisson distribution. The dependent variable for this analysis has certain important characteristics: 1) it is nonnegative; and 2) it is integer valued, denoting counts of brands with a Canadian identity. When the outcome variable is nonnegative and counts, Poisson



regression is more appropriate than ordinary least squares (Schneper & Guillen, 2004). Poisson regression, however, relies on the assumption that the mean and variance of an event count are equal. Due to this assumption, Poisson regression cannot be used in cases where the data are overdispersed or when the variance is much larger than the mean. My data were not overdispersed given that the variance was more or less equal to the mean (slightly smaller than the mean) (Schneper & Guillen, 2004). When data is overdispersed, scholars tend to use negative binomial regression, a generalization of the Poisson model in which the assumption of equal mean and variance is relaxed (see Schneper & Guillen, 2004). I decided not to use negative binomial regression given that the Wald test showed that the variables in my model had a better fit with the Poisson rather than negative binomial distribution ( $p < 0.0001$  for the former and  $p < 0.05$  for the latter).

Besides the GEE model with Poisson and the total brands as a control variable, I tried to analyze my data using other models or in other ways. These options included the following. First, I attempted to use a growth model to consider the proportion of Canadian brands to total brands as a dependent variable. However, because the data did not follow a normal distribution, which is an assumption that must be met to analyze the data using ordinary least squares regression, I could not use this method to analyze my data.

Second, I tried a GEE model with Poisson regression to test the proportion of Canadian brands to total brands for each winery over the period of 1985 to 2000. This required total brands to be used as an offset, or to be used as a denominator for Canadian brand counts. As such, the dependent variable would essentially be a proportion of Canadian brand counts over total brand counts. This type of analysis was similar to incidence density, which considers the number of cases as a numerator over a population of counts as a denominator. Unfortunately, these models would not run with an intra-subject correlation. It ran only with an independent correlation, which assumes that there is no correlation between the counts of brands of a particular subject in one year with counts of brands of that

same subject in another year. This assumption completely ignores the fact that my data is panel data and, as such, was not an acceptable way of analyzing my data.

After numerous attempts and discussions with statistics experts, I concluded that there was not enough variability to use counts of Canadian brand names over total brand names as a dependent variable. There was not enough variability of brand counts (Canadian brand and total brand counts) within a given subject, over the years between 1985 and 2000, for the GEE analysis of the proportion of Canadian brands over total brands with an intra-subject correlation.

Third, I transformed my data into dichotomous variables. First, I transformed my data into a dichotomous variable representing increases in the proportion of Canadian brands to total brands. Hence, if a winery increased its proportion of Canadian brands to total brands in a given year, it would be counted as 1. If there was no increase, it was counted as 0. Second, I transformed the data into a dichotomous variable to account for increases in only Canadian brands by a winery in a given year. If the winery increased the number of Canadian brands they had in a given year, then that would count as 1 in that year. If there was no increase, the variable was 0. Finally, I transformed the data into a dichotomous variable representing whether the winery had Canadian brands in any given year. If so, having Canadian brands was counted as 1 in that year; if not, it was counted as 0. Each dichotomous variable was then used as a dependent variable in a GEE model using binomial regression (for 0 and 1 dichotomous variable) and a logit link. Although this analysis did run with an intra-subject correlation, and thus accounted for the panel structure of my data, I decided not to use this option to analyze my data given that a lot of information was lost by transforming counts of brands to a dichotomous variable (1 and 0).

In the end, I decided to use the number of Canadian brands as an independent variable over the period of 1985 to 2000. Examining the number of Canadian brands differs from examining the proportion of Canadian brands to total brands for each winery over that period. Here, I used the total number of

brands as a control. Similar to using total number of products as a control variable (as a measure of size) when predicting the development of new products, I decided to predict which organizations had Canadian brands and to use total brands as a control. It is important to note, however, that using the variable total brand counts as a control differs from instances whereby it is used as an offset (denominator to Canadian brand counts). Considering total brand counts as a control variable, rather than an offset, means that proportions of Canadian brand to total brand counts that are considered equal (e.g., 4 over 10 is equal to 2 over 5) would not be considered as such when total brand counts is used as a control variable. Instead, when used as a control variable, a value of 4 Canadian brand counts is twice as large as a value of 2 Canadian brand counts regardless of the value of total brand counts. In sum, I examined the diffusion of Canadian brands over the period of 1985 to 2000, with the total brands used as a control variable. I performed the statistical analyses using Stata's GEE function for the estimation of generalized linear models with a log link and Poisson distribution. Furthermore, for all GEE models, I used an exchangeable correlation structure.

This chapter outlined the methodologies for Quantitative Study 1 and Study 2. The following chapters outline hypotheses, results, and discussions for Quantitative Study 1 and Study 2.

## **6.0 QUANTITATIVE STUDY 1: HOW NEW PRACTICES INTRODUCED BY SMALL PLAYERS DIFFUSE**

### **6.1 Introduction**

According to Hoffman (1999: 353), organizational field evolution occurs “through the entry and exit of particular organizations or populations,” and “through the alternation of the interaction patterns and power balances among them.” One way that fields change is through the widespread diffusion of new practices introduced by small entrepreneurs (Leblebici, Salancik, Copay, & King, 1991; Swaminathan, 1995; Christensen 1997). This chapter outlines a study – hypotheses and results – which considers the relationship between various exogenous and endogenous forces (proposed and presented in Chapters 2 and 4) and the diffusion of a new practice introduced by small players in the Canadian wine industry. The methodology for this study was presented in the previous chapter.

Most studies of mature fields, wherein there are collectively agreed upon rules, norms, and practices (Rao, Morrill, & Zald, 2000), argue that change is instigated largely by powerful players (Lee & Pennings, 2002; Greenwood, Suddaby, & Hinings, 2002; Garud, Jain, & Kumaraswamy, 2002). While these studies focus on conspicuous sources of evolution, such as prominent firms that can take coercive measures and use normative ties to instigate change within a mature field, other instigators of change are hardly addressed. One less visible instigator of change suggested by Leblebici et al. (1991) is small, niche players. They claim that radically new practices, which may evolve into conventions, are most likely to be developed by new, less powerful parties from the periphery of an interorganizational field. However, how new practices introduced by small players diffuse and eventually transform a mature field has received little empirical attention.

Small players that serve niche markets generate significant innovative activity within fields (Leblebici et al., 1991; Swaminathan, 1995). Niche market activity is important in a mature field given that it increases market diversity as

organizations utilize specialized practices to respond to market changes (Swaminathan, 1995). Such product diversity creates tensions between multiple logics (by creating competing models) and, in turn, leads to a reversal in field maturity (e.g., Haveman & Rao, 1997).

Furthermore, most research to date has focused on either endogenous (e.g., DiMaggio, 1988; Greenwood et al., 2002) or exogenous forces (e.g., Meyer & Rowan, 1977; Oliver, 1992; Sine & David, 2003) of change. Only a few scholars have considered how both changes in field structures and entrepreneurial action affect the diffusion of new practices (exceptions include Rao, Monin, & Durand 2003; Purdy & Gray, 2009; Dunn & Jones, 2010). More research on the relationship between institutional contexts and entrepreneurial activity, and their effects on the diffusion of new practices, is required (Eckhardt & Shane, 2003). In the case of niche practices, one should consider not only how niche players change organizational fields, but also why they do so.

The objective of this chapter is to examine how entrepreneurial action (endogenous) and exogenous forces (e.g., jolts) facilitate the diffusion of new practices introduced by small players within a mature organizational field. In particular, this study will examine how entrepreneurial actions, external disruptive forces, and authorities in other prestigious fields within the Canadian wine industry facilitate the diffusion of the production of icewine; a practice originally introduced by small players in the Canadian wine industry.

## **6.2 Theory and Hypotheses**

Those players who are more likely to pursue or commercially introduce practices that contradict the prevailing dominant institutional logic within a mature organizational field, are small players serving small, more specialized niche markets (e.g., Leblebici et al., 1991). As discussed in Section 2.3.2.1, often non-traditional, niche consumers do not mind paying for innovation (e.g., Christensen, 1997). As such, it is within niche spaces that small entrepreneurs have the opportunity to realize value in developing practices that deviate from

mainstream ones. Furthermore, Christensen (1997) suggests that prominent players do not pursue disruptive innovations at first because they are wedded to current customer needs. Incumbents will instead pursue innovations in markets that can sustain corporate growth rates and enhance overall profits. Finally, scholars claim that prominent players who are privileged by prevailing institutional logics will not be open to introducing new ones (Greenwood & Suddaby, 2006: 42). As a result, these incumbents will “conclude that investing in disruptive innovations is irrational” (Hart & Christensen, 2002: 52). Although small players have been identified in studies as innovators who introduce new practices that compete with current practices, how new practices introduced by small players in mature fields diffuse has received little empirical testing. In this study, I examine forces that facilitate the diffusion of new practices introduced by small players; forces, which in turn result in large-scale change within a mature organizational field.

As specified in Section 2.3.3.2, DiMaggio and Powell (1983) identify coercive, mimetic, and normative mechanisms as supporting large-scale isomorphic change. 1) Coercive isomorphism stems from informal and formal pressures imposed on organizations by the institutions on which they rely for resources and for gaining legitimacy. 2) Mimetic isomorphic change occurs when environmental uncertainty drives organizations to mimic the actions of peers that are perceived as legitimate and successful. 3) Normative isomorphic change involves rules and norms that not only define goals and objectives, but also designate appropriate ways to pursue them.

Sources of a practice’s legitimacy include “internal and external audiences who observe organizations and make legitimacy assessments” (Deephouse & Suchman, 2008). Suchman (1995: 574) defines legitimacy as a “generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, or definitions.” Meyer and Scott (1983: 201-202) focus on authorities “who have the capacity to mobilize and confront the organization” (see Deephouse & Suchman,

2008). Two examples of such authorities include the state and professional organizations. Many studies, on the other hand, treat the media as an indicator of legitimacy (Pollock & Rindova, 2003; Sine, David, & Mitsuhashi, 2007). For instance, Deephouse (1996) used data from media sources as a measure of an individual organization's public legitimacy. Other scholars view the media as a source of legitimacy (e.g., Fombrun & Shanley, 1990).

Scholars have also treated "society-at-large as a source of legitimacy, especially over a long period of time" (Deephouse & Suchman, 2008: 55). It is a common approach taken in institutional studies of diffusion (e.g., Tolbert & Zucker, 1983). Such studies build on a "linkage between cognitive legitimacy and mimetic isomorphism to argue that the more numerous the adopters of a practice, the more widespread its acceptance and the greater its legitimacy" (Deephouse & Suchman, 2008: 55). As a new practice spreads, DiMaggio and Powell (1983: 148) claim that "a threshold is reached beyond which adoption provides legitimacy rather than improves performance" (see also Meyer & Rowan, 1977). At first, a new practice is adopted because it may improve an organization's performance (DiMaggio & Powell, 1983; Tolbert & Zucker, 1983). When a new practice is then adopted by a large number of organizations, it becomes normatively sanctioned (DiMaggio & Powell, 1983: 148) or "progressively understood to be a necessary component of rationalized organizational structure" (Tolbert & Zucker, 1983: 53). The legitimacy of the new practice then "serves as the impetus for later adopters" or further increases the likelihood of its adoption (DiMaggio & Powell, 1983; Tolbert & Zucker, 1983: 53).

Small players within a mature field are, however, not usually powerful players. As such small players: 1) cannot use coercive means to gain legitimacy for their practices; 2) are not often mimicked by other players within a mature, mainstream market due to their low status; and 3) do not have the connections required to readily change normative rules of professionalism. These players, thus, must take other entrepreneurial actions and may require the help of exogenous forces to facilitate change and, in turn, the evolution of a field. In what

follows, I examine entrepreneurial actions (endogenous forces), disruptive exogenous forces, and other field changes' effects on the diffusion of a new practice introduced by small players within a mature organizational field.

### ***6.2.1 Entrepreneurial Action***

In mature organizational fields, change often requires the breakdown of old sets of logics and the construction of new ones (Lounsbury, 2002: 255). This is particularly the case in mature fields where entrepreneurs face pre-existing institutionalized practices and stable and interlocked relationships among participants. Entrepreneurs must convince organizational field participants of the benefits of a new practice's value in order for it to gain legitimacy. Theorists claim that among the many problems facing innovative entrepreneurs, the relative lack of legitimacy is especially critical given that crucial stakeholders may not fully understand the nature of the new ventures, and their conformity to establish institutional rules may still be in question (Aldrich & Fiol, 1994). Hence entrepreneurs' access to factors that ultimately ensure their survival, such as capital, markets, and governmental assistance, is dependent on the level of legitimacy that the entrepreneur or the entrepreneur's new practice manages to achieve.

According to the social movement literature, institutional entrepreneurs consequently lead "efforts to identify political opportunities, frame issues, and problems and mobilize constituencies"; and "spearhead collective attempts to infuse new beliefs, norms, and values into social structures" (Davis & McAdam, 2000; Rao et al., 2000: 240). As argued in Section 2.3.3.1, one means by which entrepreneurs frame issues and infuse beliefs, norms, and values into a field is through theorization. Theorization refers to the "self-conscious development and specification of abstract categories and the formulation of patterned relationships such as chains of cause and effect" (Strang & Meyer, 1993: 492). Essentially, it is the process whereby localized deviations from prevailing conventions become abstracted and "made available in simplified form for wider adoption" (Greenwood et al., 2002: 60).



Entrepreneurs who develop stories that present the meaning and value of their innovations in the language of prevailing institutions are able to diffuse those new practices within a mature field (Greenwood et al., 2002; Rao et al., 2003). Such theorization increases acceptance of new practices “by creating perceptions of similarity among potential adopters and by providing rationales for the practices to be adopted” (Rao et al., 2003: 816). In their study of French cuisine, Rao et al. (2003) found that theorizing, such as: 1) the popularizing of nouvelle cuisine; 2) the advancement of rationales for the adoption of nouvelle cuisine; and 3) the chronicling of innovation success stories involved with nouvelle cuisine, increased the extent to which actors abandoned classical cuisine for nouvelle cuisine. Greenwood et al. (2002: 75) found that large accounting firms were able to convince other field participants of the need to broaden the domain of accounting services beyond their traditional financial focus. They achieved this by presenting the accounting profession as under threat due to external shifts in the marketplace and by using expressive language that emphasized a moral obligation. Change ultimately became seen as a necessity within the accounting field.

Theorization by users of new practices has to take place, however, through a form of communication that penetrates the whole field. Such outlets help gain the attention of key stakeholders such as consumers within the field. One means is through the media. Pollock and Rindova (2003: 631) found that publicly available information in the media not only reflects an initial public offering’s legitimacy, but also adds to that organization’s legitimacy and influences investor behaviour. They also suggest that the information the media provides regarding a firm may affect the processes of impression formation and legitimation through its framing of that firm as positive or negative. Sine et al. (2007) found that media accounts of a new sector raise awareness levels of that sector and the propagation of public theories regarding the benefits or costs of new types of organizational arrangements. Thus positive media coverage provides social proof of a firm’s legitimacy.

Furthermore, studies have shown that repeated exposure to prescriptive evaluations increases the extent to which these evaluations are perceived as accurate (Sine et al., 2007: 8). Pollock and Rindova (2003: 633) claim that audience exposure to a firm through media is a function of the volume of coverage a firm receives. Such exposure affects sociocognitive processes related to comprehension and liking. For instance, Hawkins and Hoch (1992) report that simple repetition of an object increased the degree to which individuals rated trivia statements as true, suggesting that repetition of information increases its acceptance. Furthermore, Heath and Tversky's (1991) work demonstrates that the volume of available information about an activity reduces its perceived riskiness. This in turn suggests that a higher volume of information about a new practice may reduce the perceived riskiness in adopting such a practice. Given the findings presented above, high levels of positive media coverage of a new practice, venture, or sector, can lead to a practice's diffusion.

I argue that positive theorizing by users of new practices is particularly important in helping diffuse new practices introduced by small players. This is the case given that small players lack the normative and coercive means of getting other field members to accept their practices. If users, for instance, identify small players' new practices as solutions to mainstream problems, or describe the economic benefits associated with those practices within mainstream news sources that span the field as a whole, those practices may be accepted by consumers. This in turn may lead large players to start using such practices. Furthermore, I argue that positive theorization of niche practices in mainstream news sources will reduce the perceived riskiness of adopting new practices from less successful players (small players) in the field. I hypothesize that positive theorizing of new practices associated with small players by users of those practices – through communication in the mainstream media sources – will positively increase the diffusion of the new practices.

***Hypothesis 1: Theorizing of small players' new practices in mainstream media sources by users of those new practices will increase the extent to which those practices diffuse within a mature organizational field.***

### **6.2.2 Exogenous Forces**

External field events, such as disruptive forces and attention from authorities in more prestigious fields, may also facilitate the diffusion of new practices originally introduced by small players.

As argued in Section 2.3.2.3, disruptive exogenous forces often provoke prominent players to question current logics within a field and to search for new logics (Sine & David, 2003: 186). This is the case given that environmental pressures highlight assumptions about the environment and relationships “between institutionalized practices, technologies, organizational forms, and outcomes that may not be apparent in times of stasis” (Sine & David, 2003: 186). Environmental pressures often result in prominent players partnering with peripheral players. For instance, Sine and David (2003) found that search processes, instigated by a need to find a solution to the 1972 oil crisis, provided peripheral actors in the electric power field with vital access to central policy-makers. Ultimately, these peripheral players (e.g., alternative energy advocates) partnered with powerful institutional actors to influence legislative decisions.

Such exogenous pressures include environmental jolts or “transient perturbations ... whose impact on organizations are disruptive and often inimical” (Meyer, 1982: 515). Jolts may take the form of social upheaval, competitive discontinuities, or regulatory change (Greenwood et al., 2002). These jolts may lead players within a field to investigate the cause and symptoms of the crisis, identify problems and weaknesses within existing institutions, and search for new logics, forms, and practices (Sine & David, 2003). Crises within a field also bring problems to the attention of government officials (Kingdon, 1984: 119).

These search processes can then cause what Sine and David (2003: 188) call a “solution bazaar” where “decision makers shop for appropriate solutions, and entrepreneurs with solutions ... sell themselves as the best alternative to decision makers’ needs.” As a result, previously stable organizational fields

become accessible to all entrepreneurs, even small players with solutions that serve niche markets. These search processes also redefine the set of available solutions by identifying those that were not considered to be legitimate alternatives in the past.

I propose that prominent players, such as regulators, will be more open to partnering with small players following an environmental jolt. The jolt may result in prominent players endorsing new practices offered by the small players. This in turn will lead to the diffusion of those practices. Thus, I hypothesize:

***Hypothesis 2: An environmental jolt will increase the extent to which new practices introduced by small players diffuse within a mature organizational field.***

I argue that acknowledgement of a focal field's new practices (e.g., products) by authorities in other more prestigious fields will help diffuse those new practices. Greenwood and Suddaby (2006: 42) identify how connections to other fields can stimulate entrepreneurial activity within a focal field. They (2006: 42) call such connections boundary bridging. Boundary bridging, which exposes an organization in a focal field to new alternatives and ideas, is an example of Seo and Creed's (2002) idea of institutional incompatibilities (Greenwood & Suddaby, 2006: 42). An organization's exposure to logics in two different fields increases the possibility of that organization taking entrepreneurial action within its own focal field. Unlike Greenwood and Suddaby (2006), however, I argue that change can also stem from authorities in another field rather than from prominent actors within a field. Such acknowledgement is particularly important for small players that do not have the resources or power required to facilitate change within their focal field. Meyer and Rowan (1977), for instance, claim that efforts to profoundly change institutional environments can occur only through coercion, such that prominent organizations force immediate relational networks to adapt to their processes. Furthermore, acknowledgement of less powerful players' practices from authorities in other fields is important when prominent players in a focal field are privileged by prevailing practices. In such situations, it is unlikely

that these prominent players will endorse new practices introduced by small, less powerful players.

In the case of small players who lack the ability to coerce others, acknowledgement from authorities in other fields may become a means by which their practices achieve diffusion. Such acknowledgement may result in functional pressures. A functional pressure refers to a performance problem associated with a prevailing institutionalized practice that tends “to compromise or raise doubts about the instrumental value of” that practice (Oliver, 1992: 571). It causes economic criteria of efficiency and effectiveness to conflict with, or intrude upon, institutional definitions of success. Such pressures may occur if environmental constituents reorient their demands on the organization so that the organization is rewarded less for the sustained implementation of institutionally acceptable procedures and more for other factors (e.g., quality versus quantity of its products) (Oliver, 1992: 572). One means by which authorities in a focal field or other fields may acknowledge new practices is by rewarding organizations that use those new practices. In Rao et al.’s (2003) study of *nouvelle cuisine*, the shift from classical to *nouvelle cuisine* was attributed in part to Michelin star gains achieved by those that adopted the new logic. This resulted in reputational gains for adopters of the new logic. Acknowledgement by authorities in other fields may create economic incentives to use new practices. By analogy, organizations may question current legitimized practices and be more open to adopting new practices if there are economic rewards associated with such practices.

Attention from authorities in prestigious fields may also act as a market signal to consumers in the focal field, which, in turn, may lead to higher sales in that focal field. Higher consumer sales will lead to the re-production of those practices by players wanting to increase their profits and market share (for economic gains). Hence, I argue that functional pressures stemming from authorities in other prestigious fields will facilitate diffusion of new practices originally introduced by small players within a mature focal field. Hence, I hypothesize:

***Hypothesis 3:*** *Positive acknowledgement of new practices introduced by small players within a mature organizational field from authorities in other prestigious fields will increase the extent to which such practices diffuse within that field.*

Through the testing of the above hypotheses, I hope to identify why and how new, niche practices diffuse within mature organizational fields. Unlike past research, which focused on large players (e.g., Greenwood et al., 2002) or small players in emerging industries (e.g., Aldrich & Fiol, 1994), I will test hypotheses regarding the positive effect of theorizing and exogenous factors on the diffusion of a new practice introduced by small players within a mature organizational field.

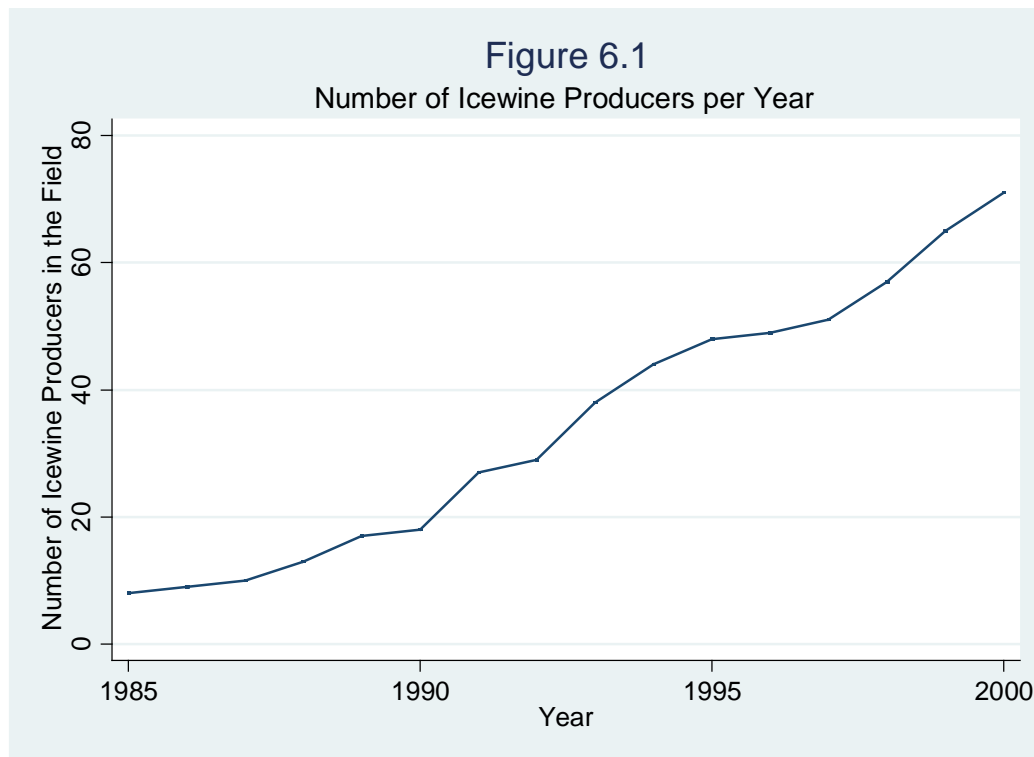
### **6.3 Research Context**

The setting of this study is the Canadian wine industry from 1985 to 2000, as described in Chapter 3. Small estate wineries were the first to become dedicated to producing icewine in Canada. Although employees from the large company, Brights, were the first to experiment with icewine-making, a German immigrant, Walter Hainle, produced the first icewine in Canada in 1973.<sup>48</sup> He decided to produce icewine after an early frost in the Okanagan caught the Riesling grapes on the vine. De Chaunac, the chief enologist for T.G. Brights from 1933 to 1966, made icewine for his personal use only (Schreiner, 2001). The research into icewine continued at Brights in the 1980s, with Vidal icewine made in 1983 and 1984. However, if these wines were sold at all, they were sold in the winery's retail store in Niagara Falls. Brights' first commercial release of icewine occurred in 1986 (Schreiner, 2001). The first attempt to produce icewine on a larger scale commercial basis was in Ontario (Aspler, 2006). Small estate wineries, such as Hillebrand Estate and Pelee Island, produced icewine in 1983. In 1984, Inniskillin started making icewine to sell commercially. Prior to this, birds had destroyed Inniskillin's icewine crop in 1983 (Phillips, 2006).

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<sup>48</sup> Icewine originated in Europe two centuries ago when farmers in Germany were hit by an unexpected winter frost. Instead of throwing away the grapes, they made wine. This resulted in a honey sweet liquid - icewine (Wine Council of Ontario, 2009).

Icewine has been a highly lucrative wine product for Canadian winemakers. The average price of icewine in 2000 for a 375 ml bottle was \$45 (Wine Council of Ontario, 2009). Canadian icewine first gained global attention at the prestigious wine competition, Vinexpo, held in Bordeaux in 1991. Inniskillin's 1989 Vidal icewine won the Grand prix d'honneur, one of only nineteen such awards for the 4,100 wines submitted by forty countries that year (Aspler, 2006: 46). During the early 1990s to 2000, the production of icewine vastly grew. Figure 6.1 shows the increase in the number of icewine producers in Canada from 1985 to 2000.



The majority of icewine made from the mid 1980s to 2000s was in Ontario where 90% of the icewine was produced at that time. For instance, of the 369,000 litres produced in 2000, 329,000 litres originated from Ontario. Ontario produces most of the icewine in Canada largely because the province's weather is more reliable for freezing grapes. 25% of the wine produced in Canada was exported in the late 1990s to 2000s. By the year 2000, there were about 70 icewine producers

in Canada – 45 in Ontario and 25 in British Columbia (Wine Council of Ontario, 2009).

Icewine was adopted by large players within the Canadian wine industry throughout the 1990s (Aspler, 1999). Furthermore, the practices associated with icewine production have been enshrined in regulation in certain provinces. There are now legal requirements which stipulate how wineries are to make icewine in Ontario and British Columbia. The Vintners Quality Alliance (VQA) in British Columbia (BC) and Ontario oversees the production of icewine.<sup>49</sup> Although the VQA in BC and Ontario is run by two separate entities, they both oversee the production of 100% domestically produced wine. If a Canadian bottle of icewine is VQA certified, then a consumer is guaranteed that it is a genuine icewine (Aspler, 2006). The legal stipulations include that grapes used for icewine must be picked only in certain temperatures (below -8 degrees Celsius). Icewine is generally made by allowing grapes to hang on the vine until the grapes freeze naturally. The temperature must be below freezing and remain below freezing long enough for the grapes to be harvested and pressed while frozen. If a thaw occurs, the ice will melt and the water will dilute the sugars and acids rendering the juice at harvest-level below the minimum sugar levels required for icewine (Aspler, 2006).

## **6.4 Methodology**

Methods of this study were presented in Chapter 5.

## **6.5 Results**

Table 6.1 reports descriptive statistics and correlations.

Models 1 to 10 in Table 6.1 are results of GEE regression. Model 1 is a baseline with control variables only. In Models 2 to 10, I tested the effects of proposed independent variables that may facilitate the diffusion of new practices.

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<sup>49</sup> Refer to Chapter 3 for more information on VQA programs existing in BC and Ontario.



The Wald chi squared value for each model is significant at the  $p < 0.001$  level, suggesting the overall adequacy of model fit. I also used the Wald test to test the significance of particular explanatory variables in the statistical models. Each explanatory variable in the models has an associated parameter. Wald tests whether the parameters associated with a group of explanatory variables in my models are simultaneously equal to zero. If they are, then removing them from the model will not substantially reduce the fit of that model, since a predictor whose coefficient is very small relative to its standard error is generally not doing much to help predict the dependent variable (Kyngas & Rissanen, 2001). These tests are available in post-estimation commands in Stata (Stata Statistical Software, 2009).

Several variables in my analysis are highly correlated, resulting in high multicollinearity in the model. High multicollinearity can cause high standard errors and coefficient instability. To reduce multicollinearity, I orthogonalized lagged Vinexpo icewine awards and wines sales per year in Model 6 as well as lagged cumulative Vinexpo icewine awards and wines sales per year in Model 7 on each other, using the orthog procedure in Stata (Stata Statistical Software 2009). This orthog command in Stata follows a modified Gram-Schmidt procedure<sup>50</sup> (Golub & Van Loan, 1989). In Model 8, I orthogonalized lagged small player theorization, lagged Vinexpo icewine awards counts at the field level, jolt, and lagged wines sales per year on each other, in that order. In Model 9, I orthogonalized lagged medium player theorization, lagged Vinexpo icewine awards counts at the field level, jolt, and lagged wines sales per year on each other, in that order. Finally, in Model 10, I orthogonalized lagged large player theorization, lagged Vinexpo icewine awards counts at the field level, jolt, and

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<sup>50</sup> A solution to highly correlated variables “is to transform the basis functions linearly, so that, after transformation, the correlations are zero. The Gram-Schmidt orthogonalization is one way to do this ... Each orthogonalized basis function is a linear combination of the original basis functions plus a constant. The fitted spline function and the vector  $\beta$  of regression coefficients are unaffected by the change in basis functions. However, the regression coefficients for the basis functions may change following orthogonalization” (Royston, 2004: 99).

lagged wines sales per year on each other, in that order. As such, orthogonalized variables are used in Models 6, 7, 8, 9, and 10. Orthogonalizing variables is useful in that it creates a set of variables such that the “effects” of all the preceding variables have been removed from each variable.

In Models 2, 3, and 4, Hypothesis 1, which predicts a positive association between the theorization of small players’ new practices by users of those practices and the diffusion of those practices, is supported. In Model 2, the coefficient for positive theorization statements made by small players is positive and significant with a p value that is smaller than 0.01. In Model 3, the coefficient for positive theorization statements made by medium players is positive and significant with a p value that is smaller than 0.001. In Model 4, the coefficient for positive theorization statements made by large players is positive and significant with a p value that is smaller than 0.01. In Model 5, Hypothesis 2, which predicts a positive association between a jolt and the diffusion of new practices, is supported. The coefficient for jolt is positive and significant with a p value that is smaller than 0.05.

Furthermore, in Models 6 and 7, Hypothesis 3, which predicts a positive association between awards won in another prestigious field for new practices and the diffusion of those new practices, is supported. The coefficients for Vinexpo icewine award counts per year and cumulative Vinexpo icewine award counts from 1985 to 2000 are significant with p values that are smaller than 0.001. I chose to use lagged counts of Vinexpo icewine awards per year in the final models (Models 8, 9, and 10), rather than cumulative counts, because the former has the same significance as the latter variable. Furthermore, the former variable is not as highly correlated with the variable wine sales per year as the variable cumulative Vinexpo awards. Since the results regarding the independent variables are consistent throughout the models described in Table 6.1, I will focus the discussion of this section on the final models, Models 8, 9, and 10.

In Models 8, 9, and 10, Hypothesis 1, which predicts a positive association between positive theorization by users of new practices introduced by small players on the diffusion of those practices is supported. In Models 8, 9, and 10, Hypothesis 2, which predicts a positive association between a jolt and the diffusion of new practices originally introduced by small players within a mature field, is also supported. The coefficient representing the FTA in those models is positive and significant. This indicates that the diffusion of a new practice introduced by small players was higher following the Free Trade Agreement within the Canadian wine industry.

In Models 8, 9, and 10, Hypothesis 3, which predicts the positive effects of winning awards in a prestigious field on the likelihood of diffusion of new practices originally introduced by small players within a mature field, is supported. The coefficient of Vinexpo awards won per year in Models 8, 9, and 10 is positive and significant.<sup>51</sup> This suggests that a new practice originally introduced by small players will be adopted within a field if that practice receives recognition from authorities within other prestigious fields.

Although not shown in Table 6.2, I also ran models with independent variables representing cumulative positive theorization statements by small,

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<sup>51</sup> I also tested the sum of Vinexpo and Concours Mondial awards received per year for icewine at the field level (all award data collected). I created two independent variables for total icewine awards, one representing total awards won per year, another representing cumulative awards won over my study's period. These variables - total awards and cumulative total awards - represent awards won at the field level. I orthogonalized these independent variables in the same way in which I orthogonalized variables in models featuring the Vinexpo awards variable. The coefficients for total awards and cumulative total awards are positive and significant in both the final model and in a model whereby each independent variable is tested. The Vinexpo Icewine awards at the field level and total awards at the field level independent variables are significant at a p level  $\leq$  to 0.001. However, the coefficient for the total awards field variable is slightly smaller than that for Vinexpo Icewine awards.

medium, or large players. I found a positive association between each of these variables and the diffusion of new practices. I orthogonalized the variables in these models in a similar way to Models 5 to 10 identified above. I chose to use lagged counts of theorization by small, medium, and large players per year in the final models (e.g., Models 8, 9, and 10), rather than cumulative counts, because the variables representing theorization counts by small, medium, or large players per year are not as highly correlated with the variable wines sales per year as the cumulative theorization variables. Moreover, using annual theorization counts for the respective size of firms gave significant results for all independent variables tested in the final models. This was not the case when using cumulative theorization counts in the final models.

For robustness purposes, I ran the analyses using theorization counts for small, medium, and large players respectively which did not include theorization counts for the Hamilton Spectator and Windsor Star news sources (for which data was not available). In terms of the significance and sign of the independent variable coefficients, I found the same results as those specified in Models 2, 3, 4, 8, 9, and 10 above. Moreover, I orthogonalized the variables in the same order specified for Models 8, 9, and 10, as outlined above.

Unlike the analysis specified above, I also ran an analysis which did not adjust for any organizational size changes throughout the 1985 to 2000 period. As such, the original size of a winery in 1985 was maintained throughout the time period. Therefore, if a winery was small in 1985, it was assumed to be small throughout the study period. Hence, any positive theorization statements made by that winery during the study period would be counted as a theorization statement made by a small winery. In these analyses, I orthogonalized the variables in the same order specified for Models 6 to 10 above. I found that the results were the same as that specified for Models 2, 3, 4, 8, and 9 above. However, the coefficient for theorization by large players was not significant when placed in a final model

**Table 6.1: Quantitative Study 1 Descriptive Statistics and Correlations**

		Mean	S.D.	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Icewine	0.42	0.49	0	1	1.00														
2	Lagged wine sales per year	19.18	3.43	13.43	26.38	0.32	1.00													
3	Age	12.33	14.06	1	114	-0.09	-0.05	1.00												
4	Medium	0.21	0.41	0	1	0.11	-0.01	0.11	1.00											
5	Small	0.65	0.48	0	1	0.05	0.11	-0.50	-0.71	1.00										
6	Subsidiary	0.09	0.29	0	1	-0.22	-0.17	0.21	0.21	-0.44	1.00									
7	Lagged theor. small players	4.19	3.11	0	11	0.09	0.10	-0.04	-0.03	0.05	-0.04	1.00								
8	Lagged theor. medium players	5.11	3.69	0	11	0.24	0.43	-0.03	-0.03	0.09	-0.11	0.25	1.00							
9	Lagged theor. large players	1.07	1.44	0	5	0.12	0.17	-0.02	-0.02	0.05	-0.05	0.57	0.47	1.00						
10	Lagged theor. cum. small players	31.48	20.98	0	61	0.35	0.94	-0.05	-0.01	0.12	-0.17	0.23	0.64	0.36	1.00					
11	Lagged cum. theor. medium players	30.44	25.13	0	72	0.33	0.96	-0.04	0.002	0.11	-0.16	0.07	0.58	0.27	0.97	1.00				
12	Lagged cum. theor. large players	6.25	5.82	0	15	0.33	0.94	-0.04	-0.001	0.11	-0.15	0.14	0.57	0.36	0.96	0.98	1.00			
13	Lagged Vinexpo icewine awards	2.48	3.97	0	14	0.23	0.86	-0.02	0.01	0.06	-0.12	-0.11	0.01	-0.04	0.70	0.77	0.76	1.00		
14	Cum. lagged Vinexpo icewine awards	6.61	9.30	0	32	0.27	0.93	-0.02	0.02	0.07	-0.13	-0.12	0.18	-0.04	0.80	0.88	0.85	0.96	1.00	
15	Jolt (FTA)	0.84	0.36	0	1	0.24	0.59	-0.07	-0.06	0.12	-0.14	0.49	0.48	0.32	0.63	0.51	0.47	0.27	0.31	1.00

<b>Table 6.2: GEE Analysis of Diffusion of Icewine in the Canadian Wine Industry</b>								
Variable	1	2	3	4	5	6	7	8
Wine sales per year lagged	0.126*** [0.021]	0.127*** [0.021]	0.117*** [0.019]	0.125*** [0.021]	0.105*** [0.021]	0.352*** [0.060]	0.326*** [0.070]	0.213*** [0.041]
Winery age	0.020 [0.012]	0.019 [0.012]	0.011 [0.011]	0.018 [0.011]	0.017 [0.011]	0.014 [0.011]	0.012 [0.011]	0.014 [0.011]
Winery size small	0.997* [0.432]	0.924* [0.422]	0.741 [0.396]	0.914* [0.415]	0.848* [0.415]	0.812* [0.399]	0.739 [0.403]	0.756 [0.404]
Winery size medium	0.996* [0.397]	0.904* [0.389]	0.683* [0.355]	0.896* [0.378]	0.820* [0.394]	0.786* [0.364]	0.688 [0.376]	0.710 [0.381]
Subsidiary	-1.29 [1.20]	-1.24 [1.21]	-1.19 [1.17]	-1.22 [1.19]	-1.11 [1.22]	-1.16 [1.20]	-1.07 [1.22]	-1.09 [1.21]
Theorization by small players lagged		0.027** [0.010]						0.111** [0.037]
Theorization by medium players lagged			0.046*** [0.012]					
Theorization by large players lagged				0.051** [0.020]				
Free Trade Agreement (Jolt) <sup>†</sup>					0.461* [0.197]			0.244*** [0.057]
Vinexpo icewine awards field level lagged						0.336*** [0.059]		0.364*** [0.061]
Cumulative Vinexpo icewine awards field level lagged							0.386*** [0.065]	
Constant	-3.66*** [0.626]	-3.74*** [0.631]	-3.44*** [0.589]	-3.63*** [0.614]	-3.58*** [0.621]	-0.971** [0.394]	-0.944* [0.398]	-0.974* [0.399]
Wald X <sup>2</sup>	40.66	41.80	43.40	41.84	41.37	42.91	41.15	41.59
Number of observations	1109	1109	1109	1109	1109	1109	1109	1109
Number of groups	129	129	129	129	129	129	129	129

\*p<=0.05 \*\*p<=0.01 \*\*\*p<=0.001 Standard error in brackets.

<sup>†</sup> Jolt is orthogonalized in Models 8, 9, and 10 but not orthogonalized in Model 5.

<b>Table 6.2: GEE Analysis of Diffusion of Icewine in the Canadian Wine Industry (cont.)</b>		
Variable	9	10
Wine sales per year lagged	0.054** [0.021]	0.200*** [0.038]
Winery age	0.009 [0.012]	0.013 [0.011]
Winery size small	0.655 [0.406]	0.746 [0.404]
Winery size medium	0.575 [0.382]	0.700 [0.380]
Subsidiary	-1.08 [1.19]	-1.07 [1.21]
Theorization by small players lagged		
Theorization by medium players lagged	0.329*** [0.059]	
Theorization by large players lagged		0.129*** [0.036]
Free Trade Agreement (Jolt) <sup>†</sup>	0.157** [0.056]	0.258*** [0.060]
Vinexpo icewine awards field level lagged	0.379*** [0.063]	0.358*** [0.060]
Cumulative Vinexpo icewine awards field level lagged		
Constant	-0.852* [0.400]	-0.963* [0.399]
Wald X <sup>2</sup>	41.81	42.11
Number of observations	1109	1109
Number of groups	129	129

\*p<=0.05 \*\*p<=0.01 \*\*\*p<=0.001 Standard error in brackets.

<sup>†</sup> Jolt is orthogonalized in Models 8, 9, and 10 but not orthogonalized in Model 5.

with other independent variables. These results suggest that only theorization statements by small and medium wineries are positively associated with the diffusion of new practices introduced by small players within a mature organizational field.<sup>52</sup>

## 6.6 Discussion

In past studies, scholars have focused on entrepreneurial activity undertaken by large players in mature organizational fields (Greenwood et al., 2002; Rao et al., 2003) rather than on activity undertaken by small players. Sine and David (2003) shed some light on how small players' practices diffuse. They claim that exogenous forces, such as jolts, make prominent players more open to partnering with such low status players. In this study, I examine how various endogenous and exogenous forces, including environmental jolts, facilitate the diffusion of a new practice introduced by small players and, in turn, isomorphic change within a mature organizational field. This study provides a systematic look at how various exogenous and endogenous forces affect the diffusion of new practices originally introduced by small players.

Consistent with other studies that demonstrate how theorization enables field change (Greenwood et al., 2002; Maguire, Hardy, & Lawrence, 2004), this study reveals a positive association between theorization by users of a new

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<sup>52</sup> In Table 6.2, I decided to use the original theorization numbers containing The Spectator (Hamilton) and The Windsor Star newspapers given that excluding these newspapers did not change the analyses results (see Section 5.1.2). I decided to use theorization numbers that corresponded to winery size in a given year rather than sizes that did not change from 1985. I did so because I believe that a winery's size, hence, its resources, affects that winery's correspondence or interactions with the media. The large wineries may hire a PR person to interact with the media while medium and small players may not have access to such resources. On the other hand, I do recognize that this analysis suggests that only theorization from those players that started out as small- and medium-sized firms in 1985 is positively correlated with the diffusion of practices introduced by small players. Perhaps only players that started out as small and medium players in 1985 believe in those practices. They may have been the original advocates of icewine while large players that existed in 1985 were not.



practice and the diffusion of that practice. This suggests that positive theorization statements made in the media by users of a new practice positively influence audiences' perception of that new practice (e.g., Pollock & Rindova, 2003). Furthermore, the sheer volume of theorization statements, or cumulative theorization statements made by users, seems to also help reduce adopters' perceived riskiness in adopting icewine (e.g., Hawkins & Hoch, 1992).

Unlike past studies (e.g., Greenwood et al, 2002), this study found that small players' theorization statements also help facilitate the diffusion of a new practice originally introduced by small players. Therefore, this study illustrates how less powerful players can also facilitate change within a mature organizational field. Theorization of a new practice by small players may facilitate the diffusion of that practice because these firms tend to specialize in producing that new practice. Within the Canadian wine industry, small players are highly associated with producing 100% domestic products such as icewine. They were also the first to commercially produce icewine. Other players tended to also produce practices that embodied the old logic such as making wine with imported content. Indeed, Carroll and Swaminathan (2000: 729) found that consumers purchase products on the basis of organizational identity (e.g., specialist or generalist) rather than on the basis of product characteristics. Furthermore, when it comes to specialty products such as icewine, consumers often place greater "faith in the ability of small organizations to produce and deliver" those "high quality specialty products" (Carroll & Swaminathan, 2000: 729). Carroll and Swaminathan (2000: 730) claim that consumers may use specialty firms as "a forum for status generation." Since evaluating products is often difficult and only accomplished in some instances by experts, consumers may seek specialty products from specialists because they are believed to be more sophisticated or produced with traditional methods.

In short, small player theorization of a new, niche practice may be crucial in terms of convincing consumers to purchase that practice. This in turn may

motivate players to accept a new practice if consumers increase their demand of that practice. Of course, this may mean that large players have to mask their identity as mass producers in some way by, for instance, opening or purchasing a small, estate winery. This may be the case given that consumers may still not be willing to purchase specialty products from mass producers (Carroll & Swaminathan, 2000). Hence, while large and medium firms may influence other players to produce a new practice through many means such as coercion, the building of normative rules that ensure the diffusion of that practice, and theorization, small players may mainly influence others to adopt their new practice by first winning over consumer support through theorization. Growing consumer demand for a new practice will, in turn, influence other players to produce that practice.

In terms of theorization counts, stories containing the same theorization statements were carried by different newswires or picked up by multiple newspapers. Furthermore, some media sources located close to wine-producing regions (e.g., *Hamilton Spectator* is located close to the Niagara region) may have had an incentive to write about local wineries to attract tourism. In my view, it is the volume and content of a theorization statement that is important. Thus, regardless of a newspaper's incentive to publish a theorization statement, or regardless of whether a theorization statement is repeated in many news sources, a theorization statement that appears in the media will ultimately help legitimize new logics embodied in practices or organizational forms in the eyes of stakeholders. Repeated positive theorization by users of a new logic in the media perhaps creates the perception that those positive statements are accurate and reduces perceived riskiness of adopting that logic (see Heath & Tversky, 1991; Hawkins & Hoch, 1992; Sine et al., 2007).

This study also demonstrates a positive association between awards received by Canadian wineries for a new practice in other prestigious fields and the diffusion of that practice. Acknowledgement of a niche wine practice by authorities in other prestigious fields, such as France and Italy, may have made

prominent players more open to adopting or endorsing that practice. For instance, the state may be more willing to offer positive endorsement to niche players if they are bringing positive attention. Moreover, the state may offer such endorsement due to future benefits that may arise from such prestigious awards. The awards may attract tourists to Canadian winemaking regions (e.g., icewine-making regions), which, in turn, may result in higher economic gains for the state or higher votes for ruling parties. Additionally, prominent players may produce such niche products as icewine if they are acknowledged by prestigious fields, since this may signal an opportunity to sell such products to those markets.

Therefore, this study demonstrates how authorities in other prestigious fields can facilitate change within a focal field. Essentially, attention from authorities in a prestigious field may indicate benefits associated with producing a new practice originally introduced by small players in a focal field. This finding is particularly important for small players who do not have the resources and coercive measures, as well as normative means required, to instigate large-scale change within a mature field. It also reveals how organizations or institutions in other organizational fields can help entrepreneurs diffuse their practices and, hence, stimulate change within a focal field regardless of an entrepreneur's status or position in that focal field. Moreover, this study suggests that other players, besides prominent players within a focal field (who perhaps occupy a boundary spanning position), can instigate change within that focal field.

This study also demonstrates a positive association between a jolt occurring within a mature field and the diffusion of a new practice introduced by small players. Past research has shown how large players are more open to partnering with smaller players during times of field crises caused by jolts (Sine & David, 2003). This study demonstrates that jolts also help facilitate the diffusion of a new practice originally introduced by small players within a field.

By investigating the mechanisms that drive change that originates from small players, I elucidate the processes associated with how small players create

change, or, more specifically, how their practices diffuse within a mature organizational field. Past research has instead focused on entrepreneurial activity by large players within mature fields (Greenwood et al., 2002; Rao et al., 2003), or by small players in emerging fields (Aldrich & Fiol, 1994; Maguire et al., 2004; Purdy & Gray, 2009). My research contributes to entrepreneurial research by considering processes that enable small players to change mature organizational fields. Moreover, my research demonstrates how both exogenous and entrepreneurial forces contribute to isomorphic change within a mature organizational field. This acknowledges scholars' call to consider the complexity involved with the evolution of an organizational field. Researchers must consider field structure changes and the entrepreneurial activity that elicit such change (DiMaggio, 1988; Greenwood & Suddaby, 2006; Purdy & Gray, 2009).

Although this study sheds some light on how small players diffuse their practices, more research needs to be done. Future studies that focus on adoption rather than on diffusion should also be conducted. This would entail examining not whether wineries are icewine producers, but rather what forces cause them to become icewine producers. Such a study will most likely require the testing of exogenous and endogenous forces that contribute to the adoption of new practices through event history analysis.

One limitation of this study involves the amount of missing data. Out of the 243 wineries that existed from 1985 to 2000 in Canada, I had information required to perform my analysis for 129 of those wineries (53%). I also excluded wineries existing in regions where icewine cannot be made. While this sample set is respectable, larger sample size leads to increased precision in estimates of various properties of the population. As such, future studies would involve testing these hypotheses using larger sample sets. Second, the Canadian wine industry, or icewine in particular, may not be typical. This expensive luxury item's diffusion may be limited to certain types of organizations which cater to high income clientele and thus to wineries with a particular image, or those who service such clientele. Wine production is often driven by economic or market forces. In more

conservative industries, such as law where normative processes are more at play, it may be difficult for small players to diffuse their ideas or practices because of the central players' role in creating and maintaining professional rules. But then again, until recently, the wine industry's main industry association was considered by many players to be very much controlled by central players. In any case, more studies need to be done to determine whether these findings, regarding how small players diffuse their practices, are generalizable.

Third, the wine industry is very much affected by production and appellation rules regarding how wine can be made, what grapes can be grown, and what wineries can place on their labels. Such institutional rules or institutional field structures were not considered in this study. Several questions that remain are: 1) How do institutional rules affect the diffusion of practices by small players? 2) Does diffusion of such practices increase after regulatory rules are put in place? 3) Does the diffusion of practices introduced by small players within mature fields increase if small players join the dominant industry associations within that field? Future studies, regarding how institutional structures within a mature organizational field affect the diffusion of new practices within that focal field, should be conducted. In short, this study's contribution to the broader purpose is to understand how practices introduced by small players eventually diffuse.

The next chapter outlines hypotheses and results regarding how small players' new identity symbols diffuse within a mature organizational field. Within the chapter, I test the relationships between certain endogenous and exogenous forces proposed as helping diffuse small players' new logic in Chapters 2 and 4, and the diffusion of identity symbols associated with small players within the Canadian wine industry.

## **7.0 QUANTITATIVE STUDY 2: THE EMERGENCE AND DIFFUSION OF A NEW IDENTITY IN THE CANADIAN WINE FIELD**

### **7.1 Introduction**

How does a new identity emerge and diffuse within an organizational field? This study considers certain endogenous and exogenous forces presented in Chapters 2 and 4 that facilitate the emergence of a new identity associated with small players' logic within the mature Canadian wine field. In particular, it looks at the emergence and diffusion of an identity at the organizational level, as represented by an identity symbol, from a marginal component of the field to a significant component of the field. An organizational identity within a field is one that is central, relatively permanent, and distinguishes "the organization from other organizations" (Albert & Whetten, 1985; Gioia, Schultz, & Corley, 2000: 63). In the previous chapter, I presented hypotheses and results regarding the relationship between various forces and the diffusion of small players' practices. This chapter outlines hypotheses and results regarding the relationship between various forces and the diffusion of small players' new identity symbols.

Many theorists have linked changes in logics to the development of new identities within a field. One pivotal study by Rao, Monin, and Durand (2003) considers how high status activists facilitate change in logics and identities within a mature field. Institutional logics are organizing principles which create "distinctive categories, beliefs, expectations, and motives" which guide practical action and "thereby constitute the social identity of actors" (Rao et al., 2003: 797). Rao et al. (2003: 797) state that "one link between logics and the behaviour of individual actors is social identity, or self-image derived by actors when they categorize themselves as members of a collectivity or occupants of the same role". In their research, Rao et al. (2003) emphasize role identities - an attribute that group members share. Role identities are expressed behaviorally at the level of individual actors. Essentially, they found that change in individual roles act as a code that specifies identities associated with prevailing versus new logics. Thornton and Ocasio (2008) also make a connection between logics and

collective identities. They state (2008: 111) that “institutional logics exert their effects on individuals and organizations” when the individuals or organizations identify with collective identities formed within an organization, an industry, or a population. They (2008: 111) claim that collective identities ultimately become institutionalized when they develop their own distinct institutional logics and these logics prevail within the social group.

Moreover, Rao et al. (2003: 797) state that identity movements disseminate identity discrepant cues that jeopardize old logics and identities. “Identity movements arise in opposition to the dominant cultural codes, consist of a ‘we-feeling’ sustained through interactions among movement participants, and are expressed through cultural materials such as names, narratives, symbols, and rituals” (Rao et al., 2003: 796). In their study of the nouvelle cuisine movement in France, Rao et al. (2003:795) found that “socialpolitical legitimacy of activists, extent of theorization of new roles, prior defections of peers to the new logic, and gains to prior defectors, act as identity discrepant cues that induce actors to abandon traditional logics and role identities.” Essentially, they (2003: 805) claim that identity movements arise when high status activists “construct institutional gaps by showing how the existing logic cannot be an effective guide for action.”

Organizational, group, and field identities are often communicated through such symbolic cues as organizational and brand names. Ashforth and Gibbs (1990: 181) claim that it is ultimately through the choice of names that organizations “identify with other actors, values, or symbols that are themselves legitimate.” Moreover, Glynn and Abzug (2002: 167) state that “organizational names encode central features of meaning and organizational identity.” Glynn and Abzug (2002: 167) advance the construct of “symbolic isomorphism, or the resemblance of an organization’s symbolic attributes to those of others” within a field, demonstrating that “institutional conformity shapes organizational identities.” Essentially, they (2002) claim that organizations will choose names and, hence, identity codes that reflect their institutional environment. Moreover, they (2002) add that symbolic isomorphism, such as organizational conformity to

institutionalized naming practices, can lead to an organization's legitimation – a greater public understanding of an organization.

In this study, I consider how identity symbols (brand names) associated with small, niche players' logic, diffuse within a mature field. Similar to past scholars, organizational labels, such as brand names, are described in this study as encoding central features of an organization's identity. I argue that the widespread diffusion of a new identity symbol reflects the emergence of a new identity from a marginal component to a significant component of a mature field. Mature fields are characterized by stable pre-existing institutional logics and structures, interlocked relationships between participants (Maguire, Hardy, & Lawrence, 2004), and high levels of practice standardization.

Current literature portrays small players as introducing innovative activity (Leblebici, Salancik, Copay, & King, 1991; Swaminathan, 1995). However, the processes associated with how small players' logics and their associated identity symbols diffuse within a mature organizational field have not been systematically explored. In the Canadian wine field, identity symbols associated with small, niche players' logic have gained widespread diffusion and acceptance. The question that thus remains is: How do new identity symbols, represented by brand names, become widespread within a mature organizational field? In particular, this study considers how endogenous and exogenous forces facilitate the diffusion of identity symbols, associated with a new, small players' logic, within the mature Canadian wine field.

## **7.2 Theoretical Background**

### ***7.2.1 The Emergence of New Logics and New Identities***

Many scholars have linked the emergence of a new identity with the development of a new logic and organizational form within a field. This connection has been made in: 1) institutional theory, and 2) population ecology.



First, taking a more macro view, neoinstitutionalists demonstrate how organizational or collective identity is anchored in institutional logics or institutional environments (Rao et al., 2003; Thornton & Ocasio, 2008). Thornton and Ocasio (2008: 111), for instance, base their definition of collective identity on members' connection with other social group members of the same status within a field. They (2008: 111) define collective identity as "a cognitive, normative, and emotional connection experienced by members of a social group because of their perceived common status with other members of a social group." They claim that the institutionalization of a collective identity occurs when an institutionalized logic develops within a social group. Institutional logics guide the way individuals and organizations "produce and reproduce material subsistence, organize time and space, and provide meaning to their social reality" (Thornton & Ocasio, 1999: 804). Logics are embodied in practices and organizational forms. For example, Haveman and Rao (1997) describe forms of thrifts as embodiments of institutional logics that reflect institutional rules and expectations regarding savings and home ownership.

Furthermore, Rao et al. (2003) claim that field identity classification schemes are derived from members' mutual understanding of a field's overall institutional logics. Dominant logics help shape a collective identity category or belief system in which members strongly or vaguely locate themselves. Glynn (2008: 423) states that organizations "construct identities that reflect their central and distinctive attributes" with "components available in their institutional environments (e.g., industry)." This is the case given that institutions, for instance, may sanction some identity representations (symbols) as well as supply cognitive templates and content (i.e., meanings) of organizational identity (Glynn, 2008: 426). Glynn (2008: 425) also claims that identity can act as a kind of institutional logic "that governs organizational behaviour and choice." This logic is a set of "shared rules and typifications that identify categories of social actors and their appropriate activities or relationships" (Barley & Tolbert, 1997: 96). As such, identity can constrain and enable organizational choices and action.

Second, ecologists recently have made a link between identity and organizational forms (McKendrick & Carroll, 2001; Polos, Hannan, & Carroll, 2002; McKendrick, Jaffee, Carroll, & Khessina, 2003). McKendrick and Carroll (2001), in their study of the disk array market, conclude that the establishment of a new organizational form is about identity formation. Their study found that if firms in the disk array market derive their primary activities from other activities and thus, few firms derive their primary activity from disk arrays, then the disk array producer identity will not be readily perceived by outsiders. This in turn inhibits the disk array producer identity's coherence into a code or form.

Polos et al. (2002: 89) also claim that classification of forms is built upon identities. An organizational form is defined "as recognizable patterns that take on rule-like standing and get enforced by social agents" (Polos et al., 2002: 89). They define identity in terms of social codes that specify the properties that an entity can possess. These codes can be enforced by relevant insiders and outsiders. Moreover, these codes exist when "departures from the codes after periods of conformity cause a devaluation of the entity" by those insiders and/or outsiders (Polos et al., 2002: 85). Their concept of organizational form implies legitimation or social-taken-for-grantedness which provides both benefits and constraints (McKendrick et al., 2003: 61). Typically, legitimacy provides organizations with more access to resources as long as the organization does not violate formal rules (Meyer & Rowan, 1977). Unlike the ecological tradition which defines "populations as bounded sets of entities with a common form" (Hannan & Freeman, 1977 in Polos et al., 2002: 105-106), Polos et al. (2002:106) define "a population as a set of entities with a common minimal external identity in a bounded system in a period of time." Thus, in their view, socially-enforced external identities define a population.

Building on Polos et al.'s (2002) work, McKendrick et al. (2003: 61) state that "a form is an external identity code." As such, they believe that any observable violation of external identity codes by an organization causes outside

audiences to drop valuation of the entity. Because form identities become embedded in societal institutions, such as language and public labels, “a form identity applies to multiple organizations and persists over time” (McKendrick et al., 2003: 63). McKendrick et al. (2003: 62) state that an organizational form “emanates from the density of producers with perceptually focused identities in a market rather than the total density number typically used by ecologists.” This differs from Polos et al. (2002) who base their theorization regarding when an external identity becomes an organizational form on organizational density.<sup>53</sup> Furthermore, McKendrick et al. (2003) claim that the perceptions of outsiders will be more focused when identities arise from: 1) de novo entrants. This is based on McKendrick and Carroll’s (2001) earlier work which suggests that de novo firms in the disk array market had more activities focused on disk array than other firms. 2) “Entrants that are concentrated in geographic locations that possess related identities” (McKendrick et al., 2003: 62). This is because strong place identity contributes to form emergence. For instance, organizations located in a place like Silicon Valley (known for excellence in the technological market) will signal to external actors that they are a member of this community.

Hsu and Hannan (2005) describe organizational identity as inhering in “the expectations, assumptions, and beliefs held by agents, both external [e.g., regulators] and internal [e.g., managers] to” an organization. They claim that collective organizational identity can be represented by organizational form such that organizations come to resemble one another. Hsu and Hannan (2005: 476) thus try to understand the perceptions, beliefs, and actions of these agents in order to understand default codes – “rules that specify the features that an organization is expected to possess” – relevant to a particular identity. Hsu and Hannan (2005) state that institutional consolidation of identity occurs when there is agreement

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<sup>53</sup> Polos et al. (2002: 107) state that “the period in a population’s history between its inception and the time at which density surpasses” a certain form specific number “is the crucial period of legitimation in the sense of taken-for-grantedness.”

among the different audiences on codes and expectations for identity. Where an organization stands on the institutional consolidation spectrum can present different challenges. “A low degree of consolidation creates conditions for conflicting demands on an organization” and, in turn, “confusion and ambiguity for organizational decision makers” (Hsu and Hannan, 2005: 476). A high degree of consolidation may mean that organizational violations of codes are met with sharp devaluations by audiences. The presence of different defaults among organizational audiences, in some cases, can lead to strategic advantage. For instance, Padgett and Ansell’s (1993) study on the rise of the Medici in Renaissance Florence, 1400-1434, found that Cosimo de Medici’s multiple identities in the eyes of his audiences helped impart multiple meanings to all his actions (e.g., financial and political saviour of Florence). These multiple identities ultimately allowed him to maintain “a wide array of options across an unforeseeable future” (Hsu & Hannan, 2005: 47).

### ***7.2.2 Identity Symbols***

At both the macro and micro levels, scholars have shown how identity changes at organizational and group levels are expressed through cultural materials such as names, narratives, symbols, and rituals (Gioia et al., 2000; Glynn & Abzug, 2002; Rao et al., 2003: 796).

In their study of French gastronomy, Rao et al. (2003) show how identity categories are expressed through identity codes. They describe the length of a menu as an identity code. They found that the length of a menu actually determined whether practitioners followed the traditional versus nouvelle cuisine logics. In terms of change in prevailing identity symbols embodied in practices, Rao et al. (2003: 796) distinguish between instrumental movements (i.e., those that tend to strive for policy impact in the form of new laws and governance structures and are powered by bureaucratic social movement organizations) and identity movements (i.e., those that tend to be “informal, decentralized, and diffuse”). Identity movements situate “relevant actors in time and space and by

attributing characteristics to them that suggest specifiable relationships and lines of actions” (Hunt, Benford, & Snow, 1994: 185). By doing so, identity movements can then develop strategies that create institutional change by “suppressing differences with the mainstream or celebrating differences with the dominant group” (Bernstein, 1997; Rao et al., 2003: 805). When identity movements celebrate the differences between a prevailing logic and identity and a new logic and identity, “both identities compete for behaviour expression at the individual level” (Rao et al., 2003: 813).

Glynn and Abzug (2002) view organizational identity as symbolized by an organization’s corporate name. They (2002: 267) argue that this is the case given that: 1) an organization’s name emphasizes central, distinct, and enduring attributes of that organization’s character, “thereby individuating and differentiating organizations”; and 2) an organization’s name locates that organization at the interorganizational or industry level by categorizing it into membership groups (e.g., as a bank rather than a school). An organization’s identity is ultimately rooted in institutional fields given that organizational identity is constituted by institutional rules. These rules function as boundaries of meaning or “frame of comparability” (Porac, Thomas, Wilson, Paton, & Kanfer, 1995; Glynn & Abzug, 2002: 267). The degree of isomorphism - the prevalence of a form, feature, and symbol representing an organization’s identity – “is an index of consensus about such boundaries, which are themselves socially constructed” (Porac et al., 1995; Glynn & Abzug, 2002: 267-268). These rules essentially delineate attributes which organizations use to develop their identities. This, they claim, is the reason why firms in a particular sector, in spite of an infinite supply of names to choose from, seem to converge on a few words and patterns.

At the micro level, Gioia et al. (2000: 64) have argued that the durability of identity is contained in the stability of labels used by organization members to express who or what they believe the organization to be. They claim (2000: 63-

64) that label changes will ultimately result in organizational identity changes. In their view, organizational identity is dynamic and adaptable to external environmental demands. Such fluidity is tied to the broader concept of image which is based on: 1) organizational members' view of how an external audience sees their organization; and 2) the public perception of an organization (Dutton & Dukerich, 1991). This external view of image is related to Fombrun's (1996) definition of reputation as the collective judgments by outsiders of an organization's actions and achievements (Gioia et al., 2000: 66). Scholars have found that if there is a discrepancy between organizational identity and image, then management may take action to resolve it through labels. For instance, they may project an attractive future image on their internet site which may eventually pull its identity into alignment with this image (Gioia & Thomas, 1996; Gioia et al., 2000: 68).

In sum, scholars have identified organizational and collective group identity changes using labels. In this study, I consider the emergence of an identity, as represented by a particular type of brand name, from a marginal component of the field to a significant component of the field. As such, I look at the emergence of what I call an overarching identity within a field. In particular, this study considers forces that facilitate the diffusion of brands that reflect a Canadian identity by wineries within the field from 1985 to 2000.

In terms of the definition of organizational identity, central features of an identity refer to observable traits such as core relationships and activities. Identity must be enduring in terms of having temporal stability of perceived continuity to the organization. Identity must be distinctive in terms of distinguishing between core and peripheral members of an organization (Albert & Whetten, 1985; Peteraf & Shanley, 1997). Moreover, I argue that an identity can be distinguished by factors that make an organization different from organizations in other fields.

Various organizations within a field may build certain identities through interactions with other members of a field. Kraatz and Block (2008: 248) consider

how organizational action is “co-produced by multiple identities and/or coevaluated by multiple audiences.” They (2008: 261) suggest that organizations can “fulfill multiple purposes, embody multiple values (or logics), and successfully verify multiple institutionally-derived identities.” Following other social identity theorists (e.g., Mead, 1934), this idea is based on a critical distinction being drawn between the self and identity. Essentially, the self is conceptualized “as the whole entity which encompasses an actor’s various socially-given identities” (Kraatz & Block, 2008: 246). “Institutional pluralism is the situation faced by an organization that operates within multiple institutional spheres” (Kraatz & Block, 2008: 243). Since institutions essentially set the rules “that direct and circumscribe organizational behaviour, then an organization confronting institutional pluralism” confronts rules of many institutions. These rules are associated with multiple regulatory regions, normative orders, and/or more than one logic (Kraatz & Block, 2008: 243). In Kraatz and Block’s (2008: 243) view, an organization “possesses multiple, institutionally-derived identities which are conferred upon it by different segments of its pluristic environment.”

Like micro arguments, I argue that identity is based on a classification scheme with members locating themselves within that scheme. Different schemes exist at different levels – organizational, strategic group, and field level. Moreover, different schemes may be selected on different occasions by an organization due to self interest as the principal scheme (Albert & Whetten, 1985: 267-268). For instance, an organization may identify more with a particular strategic group identity (e.g., mass producer of wine), or identify more with an overarching identity within a field (e.g., Canadian winery), depending on the particular time or situation. Therefore, identity, in terms of classification, is not precise. Moreover, an overarching identity shapes an organization’s interpretation and responses to external members of a field (Albert & Whetten, 1985; Dutton & Dukerich, 1991 in Wry & Lounsbury, 2009: 1). It also shapes how an organization interprets and responds to foreign competitors competing for

domestic customers within their own focal field. In essence, an overarching identity within a field is one that has become a significant component of the field.

Furthermore, I argue that a field member's identity will shift when interacting with members of other fields. This is due to field members having a different definition of the self when comparing itself to members of another field. An overarching identity (e.g., Canadian winery), for instance, may be built from interfield comparisons and reflections by focal field members themselves, or it may be built from simple comparisons of a focal field with another field (Albert & Whetten, 1985; Thornton & Ocasio, 2008). Moreover, institutional pluralism confronted by organizations when interacting with institutions in both their focal and other fields may cause organizations to build identities to help gain legitimacy in the eyes of those diverse institutions. In the Canadian wine industry, for example, this may mean that organizations will build an identity that will allow them to fit in with a particular strategic group within their own field such as mass producers. And, it may mean that that same organization may have to build another identity that is accepted by institutions and key stakeholders in other fields. For instance, a mass producer may decide to produce 100% domestic products as well as wine made with foreign content to fulfill the demands required to export to more prestigious fields in the former case and the demands of consumers seeking less expensive wines in the latter case. Or, an organization that does not encounter diverse demands by the various institutions and key stakeholders it confronts may continue to have only one identity. For instance, many estate wineries in the Canadian wine industry seem to fulfill the demands of institutions in both their own focal field and other fields by embodying a logic and identity associated with 100% domestic production of wine. Hence, existing or newly founded estate wineries may focus on one identity which meets the demands of many institutions.



### **7.3 Hypotheses**

In past literature, change within organizational fields was found to be facilitated by entrepreneurial action (Aldrich & Fiol, 1994; Greenwood, Suddaby, & Hinings, 2002; Maguire et al., 2004; Greenwood & Suddaby, 2006) and disruptive exogenous forces (Sine & David, 2003). Accordingly, I argue that the diffusion of new identity symbols is facilitated by entrepreneurial activity and exogenous forces.

#### ***7.3.1 Entrepreneurial Action***

One way in which institutional entrepreneurs create institutional gaps, proffer solutions and, in turn, facilitate change is through theorization. As specified in Section 2.3.3.1, theorization refers to the “self-conscious development and specification of abstract categories and the formulation of patterned relationships such as chains of cause and effect” (Strang & Meyer, 1993: 492). It is the process whereby localized deviations from prevailing conventions become abstracted and “made available in simplified form for wider adoption” (Greenwood et al., 2002: 60). Theorization essentially increases acceptance of a new logic and associated identities by creating perceived similarity among adopters and by providing rationales for the practices to be adopted (Strang & Meyer, 1993; Rao et al., 2003: 816).

As argued in Section 6.2.1, the media has been noted as a vehicle of theorization in terms of: 1) covering behaviour that disrupts current institutional logics; and 2) celebrating differences between an old logic and identity and a new logic and identity (Strang & Meyer, 1993; Rao et al., 2003: 816). Studies have shown that repeated exposure to prescriptive evaluations increases the extent to which these evaluations are perceived to be accurate (Sine, David, & Mitsuhashi, 2007: 8). Pollock and Rindova (2003: 633) claim that the volume of media coverage a firm receives affects audiences’ sociocognitive processes related to comprehension and liking. Hawkins and Hoch (1992), in their study, suggest that repetition of information increases its acceptance by audiences. Furthermore, Heath and Tversky (1991) suggest that a higher volume of information about an

activity reduces its perceived riskiness. Given the findings presented above, high levels of positive media coverage of a new logic can lead to the legitimation of that logic and identity symbols associated with that logic. Indeed, Rao et al. (2003) found that theorization by gastronomic journalists on *nouvelle cuisine* influenced chefs to abandon the traditional cuisine logic and identity role and adopt the new *nouvelle cuisine* logic and identity role.

Positive theorization statements in mainstream media sources may be particularly important for small players attempting to diffuse a new logic (and associated identity symbols). Small players do not have the resources, distribution systems, and normative ties with professional organizations as do large players. As a result, small players are much less visible to consumers. Moreover, unlike more central, prominent players, small players cannot force immediate relational networks to adapt to their processes or attempt to build their goals and procedures in society as institutional rules (Meyer & Rowan, 1977; Greenwood & Suddaby, 2006). However, one way in which small players can gain visibility of their new logic within the mainstream market of an organizational field is through positive theorization in major news sources. In particular, I argue that repeated exposure to positive theorization of practices or organizational forms, which embody a new logic associated with small players, by organizational field members who use that logic, will facilitate the diffusion of that logic and its associated identity symbols within a field. Users of a new logic may, for instance, repeatedly emphasize in newspapers the quality, innovativeness, and gains associated with a product or organizational form which embodies that new logic. Such theorization may positively influence a consumers' perception of that logic. This in turn may then result in players, who do not want to miss out on increasing consumer demand for a product that embodies the new logic, to adopt that new logic. Furthermore, I argue that repeated exposure to positive theorization statements about a new, small players' logic will reduce field members' perceived riskiness in accepting that new logic and its associated identity symbols. In short, I hypothesize the following:

***Hypothesis 1:*** *Theorization of a new, small players' logic within mainstream media sources by users of that logic will increase the extent to which new identity symbols associated with that new logic diffuse within a mature organizational field.*

### **7.3.2 Exogenous Forces**

Two exogenous forces that influence the development and diffusion of a new logic include disruptive environmental jolts (Sine & David, 2003) and entrepreneurs' exposure to logics in other fields (Greenwood & Suddaby, 2006). As mentioned, Thornton and Ocasio (2008: 111) claim that a social group will develop institutionalized collective identity when that group develops a distinct institutionalized logic. Similarly, I argue that the diffusion of a new logic within a field will lead to the institutionalization of a new identity (associated with that new logic) within a field. Hence, I argue that exogenous forces, such as jolts and authorities in other more prestigious fields, will help facilitate the diffusion of identity symbols that reflect that identity.

One area of study that has received little empirical attention is how other fields affect symbolic isomorphism within a focal field. I argue that positive acknowledgement of a field's new practices and their embodied logic by an authority within a more prestigious field will result in the diffusion of identity symbols that are associated with that new logic within that focal field. Such a positive interaction between a prestigious field and a focal field creates an overall positive reputation or image for that focal field. This is related to the external view of image representing the collective judgments of outsiders of an organization's actions and achievements (Fombrun, 1996; Dutton & Dukerich, 1991; Gioia et al., 2000: 66). I argue that if there are gains associated with adopting symbols that reflect a new identity, then organizations will adopt that symbol and make changes to their identity. But unlike past literature that focuses on how organizational outsiders *within* a focal field affect an organization's identity (Dutton & Dukerich, 1991; Rao et al., 2003), I emphasize how positive

interactions and comparisons between organizations in *different* fields affect the diffusion of a new identity within a field.

Scholars argue that field members are more likely to abandon a prevailing logic and identity for a new logic and identity if there are observable benefits associated with that new logic and identity. One such advantage may be increased reputation and positive evaluation by independent third parties (Fombrun & Shanley, 1990; Rao et al., 2003: 818). In Rao et al.'s (2003) study of the *nouvelle cuisine*, the shift from classical to *nouvelle cuisine* is attributed in part to Michelin star gains achieved by those that adopted the new logic. This resulted in reputational gains for adopters of a new logic. Consequently, these gains made the new identity associated with that logic more acceptable. Positive reputational gains (Michelin stars) received by those that adopted the new logic created strong identity discrepant cues and pressure to abandon the traditional role logic for non-adopters within the field.

I argue that positive attention to a new logic within a focal field from third parties within other prestigious fields may also lead to reputational gains for focal field players that have adopted identity symbols associated with that logic. This differs from past literature which has focused on prominent players within a given field as change agents. For instance, Rao et al. (2003) identify activist support of a new logic and identity role by those that occupy key positions within a field as facilitating the diffusion of that new logic and identity role within a field. They argue that, when entrepreneurs are accepted by social political actors as legitimate representatives of a point of view, they are likely to gain access to political resources and influence the agenda of the profession (Rao et al., 2003: 815). Furthermore, Rao et al. (2003: 815) claim that the greater the number of activists who occupy key positions within influential organizations and “champion that new logic and role identity, the more favourable it is vis-à-vis the traditional logic and role identity.” Greenwood and Suddaby (2006) also emphasize how prominent players' exposure to other fields increases the likelihood of those players becoming change agents within their own field. Although this literature

emphasizes how other fields can influence a focal field, it focuses on key stakeholders within that focal field, rather than on key stakeholders in other fields, as facilitators of change.

As argued in Section 6.2.2, acknowledgement from authorities in other fields is particularly important for small, less powerful players. Unlike large players within a focal field, small players lack normative and coercive means of diffusion. They also are not normally mimicked by other players because they are not yet seen as successful or legitimate. Consequently, small players' practices normally are not widely perceived to be desirable, proper, or appropriate within a social setting (Suchman, 1995). Small players, for instance, lack strong ties to high status industry associations that have connections to prominent players like the government. Thus they lack the power to institutionalize their logic. They also do not have the resources required to coerce others into adopting their practices that embody a new logic. Support of small players' new logic from a prestigious authority may lead to the acceptance of that logic and its associated identity symbols by prestigious players and field audiences within the small players' own focal field. For instance, reputational gains achieved by players who use the new logic in the eyes of domestic consumers may lead large players to adopt that new logic and its associated identity symbols. This in turn may then lead to the widespread diffusion of the new, small players' logic within the field, as players mimic large, prestigious organizations that have adopted that logic. Or, players may adopt the new logic in order to achieve legitimacy or resources from such prestigious field members as the government who support that logic. Furthermore, acclaim from prestigious authorities in other fields may decrease the perceived riskiness associated with adopting a new logic and identity symbols associated with small players.

In sum, unlike past literature which considers how high status players within a field facilitate the emergence of a new identity within a field (e.g., Rao et al., 2003; Greenwood & Suddaby, 2006), I consider how key authorities from other fields facilitate identity changes within a focal field. These key authorities in

other fields may, for instance, provide reputational gains which spur players within a focal field to adopt a new logic and its associated identity symbols. I also focus on how such acclaim can help diffuse identity symbols associated with less powerful players. I thus hypothesize that acknowledgement of a new, small players' logic by independent third parties - those that hold key positions in other more prestigious fields - will increase the extent to which new identity symbols associated with that logic diffuse within a focal field.

***Hypothesis 2:** Acknowledgement of a new, small players' logic by authorities in other prestigious fields will increase the extent to which new identity symbols (which are associated with that new logic and reflect a new identity) diffuse within a mature organizational field.*

At the micro level, Albert and Whetten (1985: 276) claim that organizational identity could shift from A to B at critical transition points. Such a transition may occur when the organization's environment becomes more complex. They (1985) claim that an organization's success depends on the match between organizational and environmental complexity.

An organization's environment may become more complex if an environmental jolt occurs. As outlined in Section 6.2.2, a jolt's impact on organizations is often disruptive and inimical (Meyer, 1982: 515). Jolts often lead players within a field to investigate the cause and symptoms of the crisis, identify problems and weaknesses within existing institutions, and search for new logics, forms, and practices. These search processes create a "solution bazaar" where "decision makers shop for appropriate solutions, and entrepreneurs with solutions ... sell themselves as the best alternative to decision makers' needs" (Sine & David, 2003: 188). Previously stable organizational fields become accessible to all entrepreneurs, even to small players serving niche markets. Indeed, Sine and David (2003) found that prominent players are more open to partnering with small players following an environmental jolt.

I argue that if an environmental jolt occurs within a field, organizations within that focal field are more likely to adopt a new identity associated with a

small, niche players' logic in order to survive the jolt. Organizations will be more willing to adopt symbols that reflect such an identity if it helps them conform to new environments brought about by an environmental jolt. This corresponds to Glynn and Abzug's (2002: 270) claim that organizations choose names that conform to prevalent practices in their new institutional environments rather than their old institutional environments. I thus hypothesize the following:

***Hypothesis 3:*** *An environmental jolt will increase the extent to which new identity symbols associated with a new, small players' logic diffuse within a mature organizational field.*

#### **7.4 Research Context: Labelling of Brand Names and Identity**

The research setting for this study is the Canadian wine field from 1985 to 2000, as described in Chapter 3. In the early 1990s, Canadian wines began to win medals in prestigious international competitions. As a result, Canadian wines gained the attention of consumers and caused people in the industry, as one interviewee put it, to believe that good wine could actually be produced in Canada. This interviewee also claimed that the only way to get consumers to notice domestic products was by first ensuring their success abroad. New entrepreneurs emerged as a result of the success of existing wineries between 1990 and 2003. The large wineries around at the time of the FTA – Andrés, Barnes, Brights, Château-Gai, Jordan, and London – found their market share eaten up by upstarts (Aspler, 2006). Unlike the large wineries, these small wineries wanted to showcase the fact that their wines were Canadian. One small winery owner was quoted in the media as saying: "We wanted authenticity, not sham European names or associations ... We wanted to fly our Niagara colours and to convey as much as possible that we were growers, not schlocky merchandisers" (Williams, 1991). By the 1990s, wineries, including mass producers, were beginning more and more to use brand names that reflected a Canadian identity, as described by one interviewee below:

Previously, our commercial producers wanted to be seen as something else ... We had Canadian wines essentially disguised as foreign wines because they sold a lot better. These wines were the biggest selling brands at the time ... So, wines wanted to be seen as something other than Canadian. With the development of the wine regions of Ontario as a viable and credible wine-producing region, that

philosophy shifted so suddenly (you know it was how successful it was) ... larger producers were starting to call their wines things like Stoney Creek [Ontario town]. So, instead of trying to sound like a big company from somewhere else in the world, [they] were now trying to sound like it's something from down in the [Niagara] wine region, and that kind of concept became fairly important.

Figures 7.1, 7.2, and 7.3 show the trend regarding mean count of brands reflecting a Canadian identity, total brands, and Canadian brands to total brands over the period from 1985 to 2000.

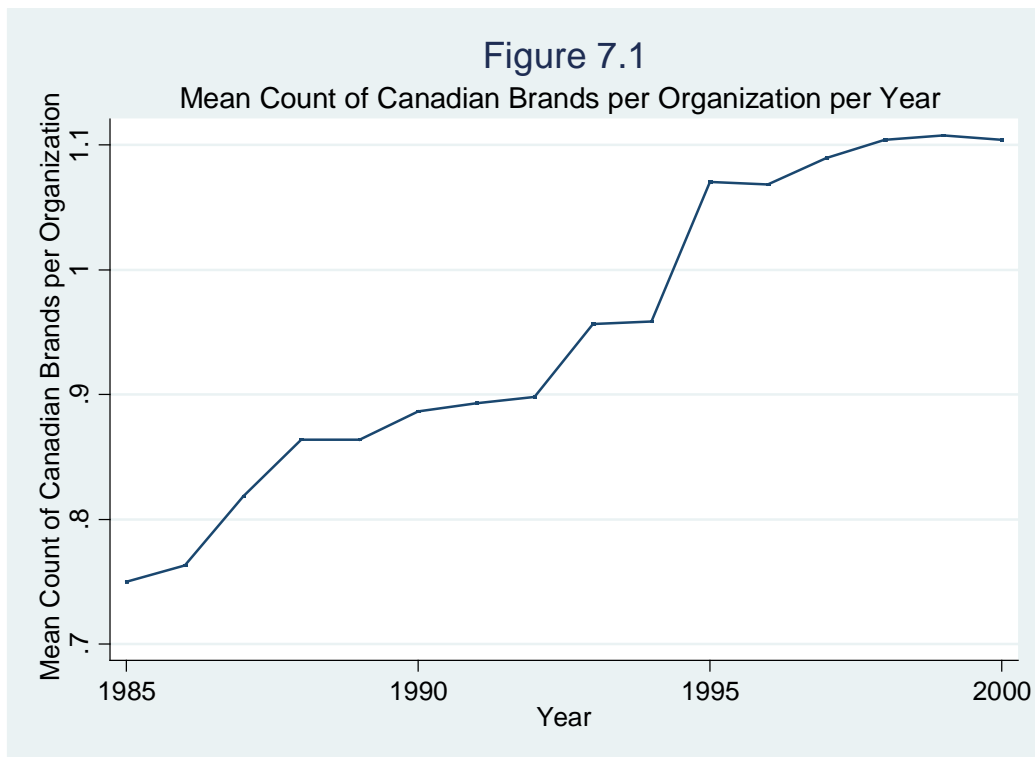




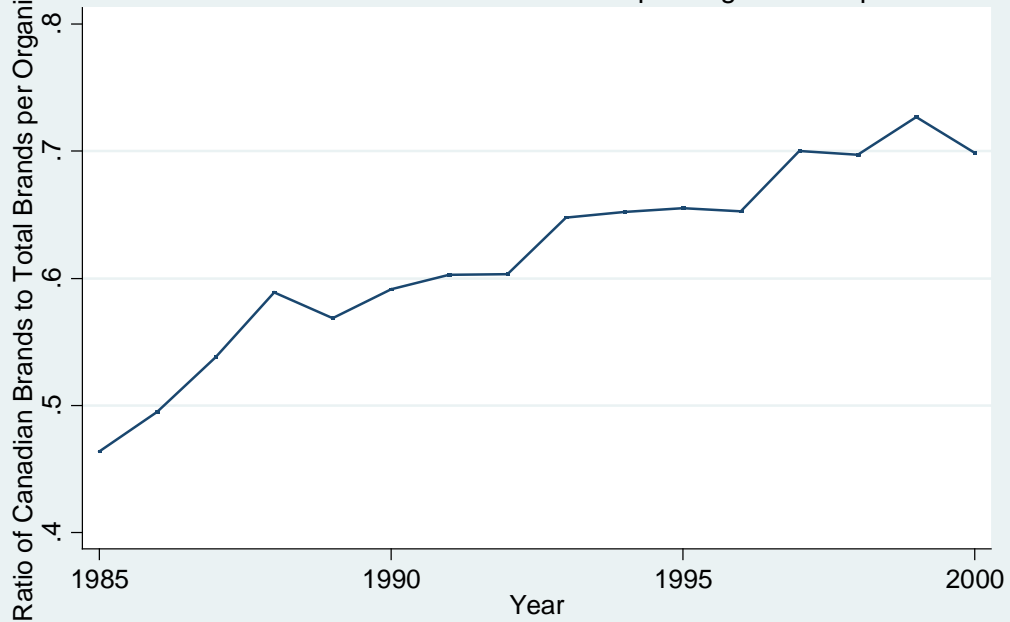
Figure 7.2

Mean Count of Total Brands per Organization per Year



Figure 7.3

Ratio of Canadian Brands to Total Brands per Organization per Year



## 7.5 Methodology

Methods of this study were presented in Chapter 5.

## 7.6 Results

Table 7.1 reports descriptive statistics and correlations.

Models 1 to 10 in Table 7.2 are results of the GEE regression using Poisson regression, a log link, and an exchangeable correlation. Model 1 is a baseline with control variables only. In Models 2 to 10, I tested the effects of independent variables that may facilitate the diffusion of a new identity symbol. The Wald chi squared value for each model is significant at the  $p < 0.001$  level, suggesting the overall adequacy of model fit. This test examines whether the parameters in my models are simultaneously equal to zero. If they are, then removing them from the model will not substantially reduce the fit of that model, since a predictor whose coefficient is very small relative to its standard error is generally not doing much to help predict the dependent variable. These tests are available in post estimation commands in Stata (Stata Statistical Software, 2009).

Several variables in my analysis are highly correlated, resulting in high multicollinearity in the model. High multicollinearity can cause high standard errors and coefficient instability. To reduce multicollinearity, I orthogonalized lagged small theorization counts and lagged wine sales per year in Model 2, lagged medium theorization counts and lagged wine sales per year in Model 3, as well as lagged large theorization counts and lagged wine sales per year in Model 4 on each other, using the orthog procedure in Stata (Stata Statistical Software, 2009). This orthog command in Stata follows a modified Gram-Schmidt procedure (Golub & Van Loan, 1989). Furthermore, I orthogonalized lagged Vinexpo awards and lagged wine sales per year in Model 5 as well as lagged cumulative Vinexpo awards and lagged wine sales per year in Model 6 on each other, using the orthog procedure in Stata (Stata Statistical Software, 2009). In Model 7, I orthogonalized lagged jolt and lagged wine sales per year on each other. In Model 8, I orthogonalized lagged Vinexpo awards counts at the field

level, lagged small theorization counts, jolt, and lagged wine sales per year, on each other, in that order. In Model 9, I orthogonalized lagged Vinexpo awards counts at the field level, jolt, lagged medium theorization counts, and lagged wine sales per year, on each other, in that order. In Model 10, I orthogonalized lagged Vinexpo awards counts at the field level, lagged large theorization counts, jolt, and lagged wine sales per year, on each other, in that order. As such, orthogonalized variables are used in Models 2 to 10. Orthogonalizing variables is useful in that it creates a set of variables, such that the “effects” of all the preceding variables have been removed from each variable. I ran other orthogonalized orders but found that either they did not change the coefficients in the final model or did not provide optimal results as those specified in Models 8, 9, and 10 of Table 7.2.

In Models 2, 3 and 4, Hypothesis 1, which predicts a positive association between positive theorization of a new logic and the diffusion of identity symbols associated with that logic, is supported. In Model 2, the coefficient for positive theorization by small players is positive and significant with a p value that was smaller than 0.05. In Model 3, counts of positive theorization statements made by medium players are positive and significant with a p value that was smaller or equal to 0.01. In Model 4, counts of positive theorization statements made by large players are positive and significant with a p value that was smaller or equal to 0.05.

Furthermore, in Models 5 and 6, Hypothesis 2, which predicts a positive association between awards won for practices embodying a new logic in another prestigious field and the diffusion of identity symbols associated with that logic, is supported. The coefficients for Vinexpo icewine award counts per year and cumulative Vinexpo icewine award counts from 1985 to 2000 are positive and significant with p values that are smaller than 0.05. I chose to use lagged counts of Vinexpo icewine awards per year in the final model (Model 7), rather than cumulative counts, because the former was not as highly correlated with the

variable wine sales per year as the variable cumulative Vinexpo awards.<sup>54</sup> In Model 7, Hypothesis 3, which predicts a positive association between jolt and the diffusion of identity symbols associated with a new, small players' logic, is supported. The coefficient for jolt is positive and significant with a p value that was smaller than 0.01.

Since the results regarding the independent variables are consistent throughout the models described in Table 7.2, I focus the discussion of this section on one of the final models, Models 8, 9, and 10. In Models 8, 9, and 10, Hypothesis 1, which predicts positive effects of theorization by users of a small players' new logic on the likely diffusion of identity symbols associated with that logic, is supported. In Models 8, 9, and 10, Hypothesis 2, which predicts a positive association between winning awards for practices which embody a new logic and the diffusion of Canadian brands within a mature field, is supported. In each of these models, the coefficient of total awards is positive and significant. This suggests that identity symbols associated with a new logic promulgated by small players will be adopted within a field if that logic receives recognition from authorities within other prestigious fields. In Models 8, 9, and 10, Hypothesis 3, which predicts a positive association between a jolt and the diffusion of Canadian brands used by small players within a field, is also supported. In each of these models, the coefficient for FTA is positive and significant. This indicates that the

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<sup>54</sup> I also tested the sum of Vinexpo and Concours Mondial awards received per year for icewine at the field level. I created two independent variables for total icewine awards, one representing total awards won per year and another representing cumulative awards won over my study's period. I called these variables total awards and cumulative total awards. Again, these variables represent total awards won at the field level. I tested the orthogonalized versions of these independent variables instead of only Vinexpo awards. The coefficient for total awards and cumulative total awards are positive and significant in models whereby each independent variable was tested. The coefficient for total awards is not significant, however, in the final model. And, the coefficient for total cumulative awards is positive and significant in the final model.

diffusion of identity symbols associated with a new, small players' logic is facilitated by the environmental jolt.<sup>55</sup>

Although not shown in Table 7.2, I also ran models with variables representing cumulative positive theorization statements by small, medium, or large players. I found a positive association between these variables and the diffusion of new identity symbols. Hence, Hypothesis 1, which predicts positive effects of theorization by users of a small players' new logic on the likely diffusion of identity symbols associated with that logic, is also supported when using cumulative theorization counts by small, medium, or large players as an independent variable. I orthogonalized the variables in these models in a similar way to that outlined for Models 2, 3, 4, 8, 9 and 10 above. I chose to use lagged counts of theorization by small, medium, or large players per year in the final models (see Models 8, 9, and 10), rather than cumulative counts, because the former variable is not as highly correlated with the variable wine sales per year as the latter variable. Using theorization counts by small, medium, or large players per year gave significant results for all independent variables tested in the final models. This was not the case when using cumulative small, medium, or large theorization counts in the final models.

For robustness purposes, I ran the analyses using theorization counts for small, medium, and large players, respectively, which did not include counts from the Hamilton Spectator and Windsor Star newspapers (for which data was not available). When using theorization counts, which did not include counts from these news sources, I found that the sign and significance of the independent variable coefficients were the same as those specified in Models 2, 3, 4, 8, 9 and 10 above.

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<sup>55</sup> The control variable brands total is positive and significant in all models when I do not use the vce robust option during my analyses. My hypotheses are also supported when I did not use the vce robust option in my analyses.

**Table 7.1: Quantitative Study 2 Descriptive Statistics and Correlations**

		Mean	S.D.	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Canadian brands	1.01	0.71	0	3	1.00												
2	Lagged wine sales per year	19.30	3.31	13.43	26.38	0.11	1.00											
3	Age	13.90	14.15	1	114	0.01	-0.03	1.00										
4	Medium	0.26	0.44	0	1	0.03	0.01	0.05	1.00									
5	Small	0.58	0.49	0	1	0.11	0.10	-0.46	-0.70	1.00								
6	Subsidiary	0.09	0.29	0	1	-0.19	-0.13	0.14	0.20	-0.38	1.00							
7	Total brands	3.12	3.99	1	34	0.11	-0.11	0.50	-0.04	-0.36	0.20	1.00						
8	Lagged theor. small players	20.37	5.38	8	28	0.06	0.50	-0.05	-0.02	0.09	-0.08	-0.08	1.00					
9	Lagged theor. medium players	14.02	6.38	0	23	0.10	0.59	-0.05	-0.03	0.11	-0.09	-0.09	0.53	1.00				
10	Lagged theor. large players	7.54	4.21	2	16	0.04	0.12	-0.03	-0.02	0.06	-0.04	-0.03	0.40	0.64	1.00			
11	Lagged theor. cum. small players	158.98	86.49	12	294	0.12	0.95	-0.05	-0.01	0.12	-0.14	-0.12	0.55	0.71	0.29	1.00		
12	Lagged cum. theor. medium players	93.98	60.55	4	195	0.12	0.97	-0.04	0.001	0.11	-0.13	-0.12	0.47	0.69	0.26	0.99	1.00	
13	Lagged cum. theor. large players	58.23	32.51	6	106	0.12	0.95	-0.04	-0.002	0.11	-0.13	-0.12	0.49	0.71	0.32	0.99	0.997	1.00
14	Lagged Vinexpo icewine awards	2.49	3.87	0	14	0.08	0.85	-0.01	0.03	0.04	-0.10	-0.08	0.31	0.31	0.02	0.72	0.75	0.72
15	Cum. lagged Vinexpo icewine awards	6.69	9.04	0	32	0.09	0.93	-0.01	0.03	0.06	-0.11	-0.09	0.32	0.41	-0.01	0.81	0.85	0.82
16	Jolt (FTA)	0.86	0.35	0	1	0.08	0.58	-0.05	-0.04	0.11	-0.09	-0.09	0.75	0.63	0.28	0.64	0.58	0.59

<b>Table 7.1: Quantitative Study 2 Descriptive Statistics and Correlations (Cont.)</b>				
		14	15	16
14	Lagged Vinexpo icewine awards	1.00		
15	Cum. lagged Vinexpo icewine awards	0.96	1.00	
16	Jolt (FTA)	0.26	0.30	1.00

<b>Table 7.2</b> <b>GEE Analysis of Canadian Brands (Organizational Level)</b>								
Variable	1	2	3	4	5	6	7	8
Total wine sales per year lagged	0.020** [0.008]	0.059* [0.025]	0.048* [0.021]	0.077** [0.029]	0.075** [0.024]	0.072** [0.025]	0.049* [0.023]	0.051** [0.019]
Winery age	0.005 [0.007]	0.005 [0.007]	0.003 [0.007]	0.003 [0.007]	0.002 [0.007]	0.002 [0.007]	0.004 [0.007]	0.002 [0.007]
Winery size small	0.089 [0.247]	0.090 [0.246]	0.066 [0.238]	0.071 [0.240]	0.064 [0.234]	0.067 [0.229]	0.092 [0.240]	0.066 [0.232]
Winery size medium	0.057 [0.250]	0.058 [0.249]	0.028 [0.243]	0.035 [0.245]	0.028 [0.239]	0.030 [0.234]	0.059 [0.244]	0.032 [0.237]
Subsidiary	-0.785 [0.614]	-0.798 [0.623]	-0.690 [0.556]	-0.727 [0.575]	-0.710 [0.575]	-0.759 [0.602]	-0.808 [0.630]	-0.707 [0.572]
Total brands <sup>†</sup> (org. level)	0.032 [0.025]	0.032 [0.026]	0.032 [0.026]	0.032 [0.026]	0.032 [0.026]	0.033 [0.025]	0.032 [0.025]	0.033 [0.025]
Theorization by small players lagged		0.041* [0.017]						0.036* [0.016]
Theorization by medium players lagged			0.072** [0.026]					
Theorization by large players lagged				0.024* [0.012]				
Vinexpo icewine awards field level lagged					0.051* [0.023]			0.051* [0.023]
Cumulative Vinexpo icewine awards field level lagged						0.061* [0.026]		
Free Trade Agreement (Jolt)							0.061** [0.023]	0.043** [0.016]
Constant	-0.627* [0.267]	-0.230 [0.257]	-0.193 [0.248]	-0.202 [0.252]	-0.185 [0.247]	-0.191 [0.243]	-0.228 [0.252]	-0.189 [0.245]
Wald X <sup>2</sup>	35.85	38.63	40.77	37.29	40.25	45.55	42.98	42.69
Number of observations	824	824	824	824	824	824	824	824
Number of groups	95	95	95	95	95	95	95	95

\*p<=0.05 \*\*p<=0.01 \*\*\*p<=0.001 Standard error in brackets.

<sup>†</sup> Total brands is significant in all models when I ran analyses without using the vce(robust) option.



<b>Table 7.2 (Cont.) GEE Analysis of Canadian Brands (Organizational Level)</b>		
Variable	9	10
Total wine sales per year lagged	0.041** [0.015]	0.054** [0.020]
Winery age	0.002 [0.007]	0.002 [0.007]
Winery size small	0.058 [0.231]	0.054 [0.230]
Winery size medium	0.019 [0.238]	0.014 [0.237]
Subsidiary	-0.674 [0.554]	-0.675 [0.554]
Total brands <sup>†</sup> (org. level)	0.032 [0.026]	0.033 [0.026]
Theorization by small players lagged		
Theorization by medium players lagged	0.037* [0.017]	
Theorization by large players lagged		0.035* [0.014]
Vinexpo icewine awards field level lagged	0.054* [0.023]	0.054* [0.023]
Cumulative Vinexpo icewine awards field level lagged		
Free Trade Agreement (Jolt)	0.058** [0.021]	0.051** [0.019]
Constant	-0.174 [0.244]	-0.167 [0.244]
Wald X <sup>2</sup>	43.07	41.55
Number of observations	824	824
Number of groups	95	95

\*p<=0.05 \*\*p<=0.01 \*\*\*p<=0.001 Standard error in brackets.

<sup>†</sup>Total brands is significant in all models when I ran analyses without using the vce(robust) option.

Unlike the analysis specified above, I also ran an analysis which did not adjust for any organizational size changes throughout the 1985 to 2000 period. As such, the original size of a player in 1985 was maintained throughout the time period. Therefore, if a player was small in 1985, it is assumed to be a small player throughout the study period. Hence, any positive theorization statements made by that player during the study period would be counted as a theorization statement made by a small player. I orthogonalized the variables in the same order specified for Models 2 to 10 above. When using theorization counts, which did not account for organizational size changes from 1985 to 2000 in my analysis, I found the sign and significance of the independent variable coefficients to be the same as those specified in Models 2, 3, 4, 8, 9 and 10 above.

## **7.7 Discussion**

These results provide support for my hypotheses about the effects of entrepreneurial activity, disruptive environmental forces, and authorities from other more prestigious fields on the diffusion of identity symbols associated with a new, small players' logic within a mature organizational field. Hence, my study demonstrates how exogenous and endogenous forces facilitate institutional change. Past research has shown the following. First, how environmental jolts cause prominent players to be more open to new practices introduced by small, peripheral players (Sine & David, 2003). Second, how theorization by large firms facilitates adoption of new practices within mature fields (Greenwood et al., 2002; Rao et al., 2003). And third, how exposure to other fields facilitates entrepreneurial activity by prominent players within a focal field (Greenwood & Suddaby, 2006). I show how theorization by small players of a new logic associated with a new identity, acclaim from authorities in other fields, and disruptive jolts also help facilitate the diffusion of new identity symbols associated with a new logic within a mature organizational field. The diffusion of a new identity symbol ultimately reflects the emergence of a new logic within a field.

Consistent with past research (e.g., Greenwood et al., 2002; Rao et al., 2003), this study's findings show that positive theorization about a new logic helps facilitate the diffusion of identity symbols associated with that logic. In some instances, stories containing the same theorization statements were carried by different newswires or picked up by multiple newspapers. As argued in Section 6.6., in my view, it is the volume and content of a theorization statement that is important. Thus, regardless of whether a theorization statement was repeated in various news sources or the motive behind publication of the statement, such repetition of theorization statements will ultimately help legitimize a new logic and its associated identity symbols. This assumption follows scholars' claims that repeated theorization creates the perception that the statements are accurate (see Heath & Tversky, 1991; Hawkins & Hoch, 1992; Sine et al., 2007).

However, unlike past literature, which focuses on prominent players as facilitators of change within a mature field (e.g., Greenwood et al., 2002; Rao et al., 2003), I also found that small players can facilitate change within a mature organizational field. As argued in Section 6.6, theorization of a new logic by small players may facilitate the diffusion of new identity symbols associated with that logic because these firms tend to focus on one activity (i.e., producing 100% domestic wines). Within the Canadian wine industry, small players are highly associated with practices and organizational forms that embody the new logic. Within this study, the new logic was specified as that associated with producing 100% domestically produced wine. The small wineries were dedicated to producing 100% domestically produced wine from high quality grapes (e.g., European *vinifera* or French hybrid grapes). Other players tended to also produce practices that embodied the old logic such as making wine with imported content. In their study of the U.S. beer brewing industry, Carroll and Swaminathan (2000) found that consumers often buy specialty products based on identity rather than on product characteristics. They claim (2000) that consumers are more likely to purchase specialty products from small producers because consumers have greater

faith in a small, specialized player's ability to produce a specialized product. Furthermore, McKendrick et al. (2001) found that organizational form identity emanates from density of producers with focused identities. Because McKendrick et al. (2001) assume that it is the perception of external audiences that define an organization's identity, they claim that external audiences recognize an organizational form identity if a firm tends to focus on one type of activity. They claim that the types of firms that do so are *de novo* firms. *De novo* firms also tend to be small firms. Similarly, I argue that consumers may be willing to believe small players' positive statements about a new logic because these players specialize in producing practices that embody that logic (see also Carroll & Swaminathan, 2000). This in turn may motivate players to accept the new logic and its associated identity symbols if consumers increase their demand of practices that embody that logic.

Moreover, mass producers may have to adopt identity symbols associated with a new, small players' logic in order to convince consumers to purchase specialty products from them. Thus, regardless of whether a mass producer is able to produce a high quality, specialty product, consumers will still purchase that specialty product from specialty firms (see Carroll & Swaminathan, 2000). As a result, mass producers may have to use identity symbols associated with small players' logic in order to portray a small player identity to consumers. I argue that unlike medium and large players, small players are not able to convince field players to accept new practices due to their prominent positions within the field. Instead, small players may have to convince consumers to accept their logic and identity symbols through theorization before they can get players within the field to accept them.

Moreover, my study illustrates how positive attention, from authorities in other more prestigious fields, facilitates the widespread diffusion of new identity symbols represented by brand names. Therefore, it is not only authorities in a focal field that can facilitate change (Rao et al., 2003; Greenwood & Suddaby, 2006) as suggested by past literature. My focus is on how an authority in a more

prestigious field facilitates change within another field. Attention to a new logic and its associated identity symbols from authorities in other fields are particularly important for small players who use that logic. This is because they do not have the means to create change within a field. For instance, small players do not have the resources and, hence, coercive measures as well as the ties to normative measures, such as control of mainstream industry groups, required to be change agents. Furthermore, small players are not readily mimicked by other players because they are not normally seen as successful or legitimate (DiMaggio & Powell, 1983). Therefore, positive attention to a new logic and its associated identity symbols (e.g., winning an award) from an institute in a more prestigious field may lead to reputational, economic, or efficiency gains for those small players that use that logic and associated symbols (e.g., selling their wine for more money). This may cause other players within the field to see them as successful and legitimate and, in turn, lead them to adopt that new logic and its associated identity symbols.

This study also suggests that strong environmental changes also lead to the adoption of new identity symbols. Many mass producers of wine made from bottled imported juice also started producing 100% domestically produced wine after the FTA. This is consistent with Albert and Whetten's (1985) micro level theories of organizational identity. These theories state that organizational identity can shift from A to B when the organization's environment becomes more complex. Consistent with past research (Albert & Whetten, 1985; Glynn & Abzug, 2002), this suggests that organizations will adopt identity codes that are consistent with their new environments. My study shows a positive association between an environmental jolt and the diffusion of a new identity symbol associated with small players' logic.

By investigating the mechanisms that drive the diffusion of Canadian brands within a mature field, I elucidate the processes associated with how a new identity emerges within a field. In terms of collective identity, past research has mainly focused on defining fields as groups with different identities (Peteraf &

Shanley, 1997; Wry & Lounsbury, 2009: 1). Although fields are comprised of different groups with different identities, I show processes that spur symbolic isomorphic changes that reflect the institutionalization of a new identity within a field. Because organizations use different identity categorizations, depending on different situations and who they are interacting with (Weick, 1995), organizations are more likely to identify with an overarching identity categorization rather than with more defined strategic group categories within a field when interacting with members of other fields. Again, this can be in the form of receiving attention for new logics from authorities in other fields or competing against foreign players for domestic customers within their own field.

Moreover, this study considers symbolic isomorphic change; a subject that has received very little attention when compared to research on isomorphic change associated with practices and organizational forms (e.g., Tolbert & Zucker, 1983). Unlike Glynn and Abzug (2002: 267), I do not consider, however, how the resemblance of an organization's symbolic attributes, represented by names, to those of other organizations within a field, increases its legitimacy. I consider, instead, processes that facilitate the diffusion of new identity symbols (Canadian brand names) associated with a new logic. Hence, this study considers large-scale symbolic isomorphic change that reflects the institutionalization of a new identity within a field.

This study also focuses on change stemming from small players within mature organizational fields. This differs from past studies of mature organizational fields - wherein there are collectively agreed upon rules, norms, and practices (Rao, Morrill, & Zald, 2000) – which, instead, focus on change instigated by powerful players (Lee & Pennings, 2002; Greenwood et al., 2002; Garud, Jain, & Kumaraswamy, 2002). Moreover, it acknowledges scholars' call to consider both entrepreneurial activity and exogenous forces when considering change within a field (DiMaggio, 1988; Eckhardt, & Shane, 2003; Greenwood & Suddaby, 2006; Purdy & Gray, 2009; Dunn & Jones, 2010).

One limitation of this study involves the amount of missing data. Out of the 243 wineries which existed from 1985 to 2000 in Canada, I had information required to perform my analysis for only 95 of those wineries. Typically, larger sample size leads to increased precision in estimates of various properties of the population. As such, future studies would involve testing these hypotheses using larger sample sets. Furthermore, only one coder was used to determine whether a brand name was Canadian or not. As such, coding of brand names will have to be verified by other coders in future versions of this study. Finally, as argued in Section 6.6, the Canadian wine industry may not be typical. Wine production is often driven more by economic or market forces than more conservative professions. In more conservative fields, normative processes may play a greater role in diffusing identity symbols associated with small players. As such, more studies need to be done to determine whether these findings, regarding processes involved with the diffusion of identity symbols, are generalizable. Moreover, the wine industry is very much affected by institutional rules such as those that guide production and appellation. Such institutional rules or institutional field structures were not considered in this study. Future studies regarding how institutional structures within a mature organizational field affect the diffusion of new identity symbols within that focal field should be conducted.

Moreover, according to Albert and Whetten (1985), organizations will acquire dual identities to cope with increases in environmentally imposed constraints, including changes in regulations. Many organizations in the Canadian wine industry, particularly wineries that claimed to be both mass producers of bottled wine made from imported juice and 100% domestically produced wine, had brand names that reflected a Canadian identity and others that did not. This suggests that these wineries adopted dual identities. Having dual identities perhaps reduced any riskiness involved with producing 100% domestically produced wine, particularly following an environmental jolt such as the FTA. Most critics thought the FTA would bring about the demise of the 100% domestically produced wine industry. Having a stake in both the blended and

100% domestic wine sectors ensured the eventual survival and, perhaps, success of these producers no matter the outcome of the FTA. For instance, if the domestic wine industry prospered, so would the mass producers. If it failed, then the mass producers could discard their dual identity and would probably only bottle wines with foreign grapes or juice. Future studies should examine how exogenous and endogenous forces facilitate the diffusion of identity symbols that reflect dual identities. Such studies will help determine whether organizations develop completely new identities during an environmental jolt or whether they develop dual identities. Furthermore, scholars should also consider the types of field players that would take on a dual identity during a crisis. These types of players may differ from those that completely change their identity or do not change their identity at all following an environmental jolt.

This study contributes to the broader understanding of how new identity symbols associated with small players' logic eventually achieve diffusion within an organizational field. In particular, this study considers processes associated with symbolic isomorphic change stemming from small players within a mature organizational field which, in turn, reflect the institutionalization of a new identity within that field.

The next chapter provides a conclusion which outlines overall thesis: 1) contributions to current literature, 2) insights for practitioners, and 3) limitations and future research considerations. It outlines insights from the quantitative study presented in this chapter and the studies and theoretical frameworks presented in earlier chapters.



## 8.0 CONCLUSION

This chapter outlines the research insights obtained from the quantitative studies (Chapters 5, 6, and 7), qualitative study (Chapter 4), and theoretical frameworks (Chapter 2) presented in the previous chapters. Small players within mature fields have been identified as innovators who contribute to large-scale change within mature organizational fields (Leblebici, Salancik, Copay, & King, 1991; Swaminathan, 1995). How small players diffuse, legitimize, and institutionalize their new practices and associated logics has not been systematically explored within past literature. In this thesis, I consider how small, niche players change mature organizational fields – fields that are characterized by stable pre-existing institutional logics and structures, interlocked relationships between participants, and high levels of practice standardization. In particular, I look at the emergence, diffusion, and legitimation of new, niche practices and symbols associated with small players' institutional logics within the Canadian wine industry in the past 20 to 30 years. The Canadian wine industry is a promising field to study in regards to this topic given the widespread diffusion of niche practices such as the quality standard, Vintners Quality Alliance (VQA), that has occurred since the 1970s.

In this thesis, I extend prior research in the following ways. 1) I explore the interrelationship between endogenous and exogenous processes in facilitating the evolution of a mature organizational field. In particular, I explore this interrelationship by considering a case where niche logics and symbols spill over to the mainstream market of a mature organizational field. 2) I identify action that small players in mature fields use to diffuse and institutionalize a new logic. 3) I identify factors which affect the development and persistence of a newly institutionalized logic originally introduced by small players. I do so in three thesis phases which include: 1) a theoretical contribution (Chapter 2); 2) a qualitative study portion (Chapter 4); and 2) a quantitative study portion (Chapters 5, 6, and 7).

The theoretical contribution portion of my thesis (Chapter 2) provides a framework of how small, niche practices spill over to mainstream markets in mature organizational fields. I present two frameworks within that chapter. The first framework proposes de-stabilizing and re-stabilizing forces that facilitate change within a mature organizational field. The second is an integrative framework which illustrates the interdependence and co-existence of different institutional logics, external pressures, and types of agency in facilitating the evolution of institutional arrangements.

The frameworks emphasize how environmental jolts, changing consumer preferences, and contradictions involving fringe players' activities within the niche markets will cause the breakdown or weakening of current institutional logics within a mature, stable field. This will result in a state of instability in which various logics compete to become a dominant feature of the field. Entrepreneurs, including those within the niche markets with solutions to mainstream market problems, will try to convince others to adopt their practices. They try to do this by framing new ideas with common cultural and professional norms and values that other players understand (Strang & Meyer, 1993; Tolbert & Zucker, 1996; Lounsbury & Glynn, 2001) and by introducing collective action (Aldrich & Fiol, 1994; Greenwood, Suddaby, & Hinings, 2002; Seo & Creed, 2002). If players begin to see the benefits of new practices introduced and used by an entrepreneur they will mimic them - first within the entrepreneur's local network, and eventually in the arena of the prominent players. Prominent players may be forced to take notice of new practices by the de-stabilization of the field that is instigated by the jolt or societal change. This dynamic process, combining various levels of agency and logics associated with those agents' practices, eventually leads to the sedimentation of a new set of logics within that field (re-stabilization). This new set of logics can be composed of a combination of old and new logics, or simply the replacement of an old logic with a new logic. Therefore, the re-stabilization process is seen as one in which different logics co-exist and interact, rather than as a transition from one dominant logic to another.

The second phase of my thesis is an inductive, theory-building effort to specify how small players change mature organizational fields (see Chapter 4). In this study, I develop theory on the endogenous and exogenous forces that facilitate the emergence, diffusion, and the institutionalization of the Ontario VQA. I chose to study the VQA because my preliminary investigation revealed that the VQA: 1) was introduced by small players; 2) embodied most 100% domestic wine practices introduced by small players in the past 30 years; and 3) coexisted alongside practices that embody old logics within the Canadian wine field. Furthermore, I explore the strategies used by small players to diffuse their new practices, as well as how current field structures affect the institutionalization of these practices. I also consider forces that influence the persistence of the VQA in its early institutionalization phase and its existence as one of the institutionalized logics within the field.

The third phase of my thesis involves two quantitative studies examining how entrepreneurial strategies and exogenous forces, such as environmental jolts, influence the diffusion of new practices and identity symbols associated with small players within the Canadian wine industry (see Chapters 5, 6, and 7). I examine the diffusion of icewine and brand names that reflect a Canadian identity within these studies. Up to the mid-1990s, the Canadian wine industry had a poor reputation. Wineries used brand names that reflected more prestigious fields such as France or Germany. These wineries, which mainly consisted of large wineries, felt that people would not drink the wine if they labelled it with a name that reflected a Canadian place like Niagara. The boutique wineries instead used names that reflected a Canadian identity. Over time, the overall use of this type of brand name increased. Through these studies, I examine endogenous and exogenous forces which facilitate the diffusion of new practices and identity symbols used or introduced by small players. Furthermore, in the case of brands reflecting a Canadian identity, I examine forces which cause symbolic isomorphic change reflecting, in turn, the emergence of a new identity within a field.

## 8.1 Insights and Contributions

### *8.1.1 Contributions to Current Literature*

My dissertation aims to further the rapprochement between institutional theory and entrepreneurship research (see Sine, David, & Mitsuhashi, 2007: 591) by: 1) considering processes associated with how small players instigate change within a mature organizational field; 2) focusing on the coexistence of multiple logics within a field; and 3) considering the relationship between field structures, exogenous forces, and entrepreneurship when trying to understand change within an organizational field.

Through my research, I identify processes used by small players to change the institutions of a mature organizational field. By considering small, niche players within a field, I respond to Swaminathan's (1995) exhortation to take into account niche market activity as a de-stabilizing force. Moreover, this follows Seo and Creed's (2002: 241) suggestion that more research on marginalized social actors, whose interests are misaligned with the current logic, is required to challenge mainstream organizational theories. This is because mainstream organizational theories have traditionally paid more attention to centralized players who, from a resource dependence perspective, are more powerful (e.g., Meyer & Rowan, 1977; Greenwood et al., 2002).

In particular, my research expands on past research by Leblebici et al. (1991). First, whereas Leblebici et al. (1991) identify fringe players as introducing new practices and describe such forces as intensified competition for resources as encouraging dominant players to adopt those new practices, I identify the entrepreneurial actions small players' take to diffuse their practices within a mature organizational field. Hence, I consider the strategies small players use (e.g., type of theorizing, inclusive strategies, and symbols) to gain acceptance of their practices by dominant players. I also consider the actions taken by small players to institutionalize their practices throughout the various stages of

institutionalization namely, habitualization, objectification, and sedimentation. Therefore, whereas Leblebici et al. (1991) focus on the convention (“the practices adopted by constituents to solve coordination problems”) as an endogenous force that creates change, I focus on actions taken by small players to gain acceptance of their new practices as the endogenous force of change. Although there was a demand for the small players’ new practices, I found that those small players’ also had to use strategies to help diffuse and institutionalize those new practices. Furthermore, unlike Leblebici et al. (1991: 333) who presents change as involving the replacement of old practices with new practices, I consider instead institutionalization of a new logic alongside an old logic. Hence, I consider how multiple logics emerge and persist within a mature organizational field.

I also provide insight into endogenous and exogenous forces which help diffuse small players’ strategies that differ from those emphasized in past studies. For instance, small players used pragmatic theorizing to gain the acceptance of their practices by prominent players. In past research, theorization by large entrepreneurs has mainly been portrayed as emphasizing a moral obligation for change (e.g., Greenwood et al., 2002). Moreover, I emphasize how authorities in other prestigious fields can help diffuse less powerful players’ practices within their focal field. Past research instead has emphasized prominent players within a focal field (with perhaps boundary spanning positions to other prestigious fields) as instigators of change (e.g., Greenwood & Suddaby, 2006).

Furthermore, institutional and entrepreneurial scholars have lamented the lack of attention on competing logics and how they are sustained over time (recent exceptions include Purdy & Gray, 2009; Reay & Hinings, 2009; Dunn & Jones, 2010). In past literature, competing logics are presented as a temporary state that is resolved through competition between actors - usually incumbents - supporting an old logic, and new actors supporting a new logic (e.g., Hoffman, 1999). It follows that “profound” institutional change within an organizational field has largely been described within current literature as a transition from one

dominant logic to another (Goodrick & Reay, 2005: 1). For instance, Thornton (2004) described institutional change within the higher education publishing field as a transition of dominant logics from a professional logic to a market logic. By considering power struggles between actors and fields organized around winning logics, theorists fail to consider situations whereby two logics persist over time (Purdy & Gray, 2009). In this thesis, I consider processes that facilitate the emergence and persistence of multiple logics within a field. Furthermore, while most studies to date focus on the stage of institutional change between when practices are seen as new and when they become legitimized (e.g., Maguire et al., 2004; Reay et al., 2006: 994) or rather, the habitualization and objectification institutionalization phases, my study provides insight into the sedimentation phase associated with the institutionalization of new practices.

In particular, within my qualitative study (Chapter 4), I found that the use of inclusive strategies used by small players to diffuse their practices facilitated the emergence of multiple logics. These inclusive strategies included: 1) not identifying failings associated with the prominent players' prevailing practices, and 2) designing the practices so that prominent players would not have to renounce their lucrative old practices when adopting the new ones. Such strategies enabled the less powerful players to introduce their practices without threatening those used by prominent players. By doing so, small players' efforts were not shut down by those prominent players. My thesis also contributes to the understanding of how multiple logics persist from generation to generation. Within my qualitative study (Chapter 4), I propose forces that affect the persistence of the new logic and, hence, its coexistence alongside the old logic. I found that a new logic will remain institutionalized if it meets the needs of new entrants within the field. If new entrants' needs are not met, then the full institutionalization of the new logic is threatened. This is the case given that a new logic must persist from generation to generation in order to achieve full institutionalization (Tolbert & Zucker, 1996). Furthermore, I propose that various small players' inclusive actions used at first to diffuse their new practices will eventually negatively affect

the persistence of those new practices. For instance, small players' collaboration with the dominant industry association, which at first helped diffuse the VQA standard, eventually limited the persistence of the VQA. Unlike past studies, which only present a positive association between entrepreneurial collaboration with professional association and the diffusion of those entrepreneurs' new practices (e.g., Aldrich & Fiol, 1994; Greenwood et al., 2002), my study found that such a relationship is not stable over time (exceptions include Dunn & Jones, 2010). In short, my findings suggest that entrepreneurial actions taken by small players to diffuse new practices differ from those required to ensure the persistence of those practices in the long run.

Moreover, scholars are lamenting the lack of attention to the relationship between field structures and entrepreneurship (Eckhardt & Shane, 2003; Purdy & Gray, 2009). Sine et al. (2007: 591) claim that most entrepreneurship work has "focused on the role of individual attributes and strategy on the growth or profit of firms and has paid less attention to the impact of wider institutional processes." With a few exceptions (e.g., DiMaggio, 1988; Oliver, 1991), institutional work has also not sufficiently taken into account the role of strategic action (Sine et al., 2007: 591). The theoretical contribution phase (Chapter 2) of my thesis provides an integrative model of how exogenous and endogenous forces interact in a more systematic manner than in past research. It also focuses on the coexistence and interaction of different sets of logics, rather than as a transition from one dominant logic to another.

Furthermore, in the quantitative portion of my thesis (Chapters 5, 6, and 7), I consider how exogenous forces (e.g., jolt and attention from authorities in other more prestigious fields) and endogenous forces (e.g., theorization by small players of new logics) influence the diffusion of new practices and identity symbols originally associated with small players' logic. I found a positive association between theorization by small players in a mature field and the diffusion of new practices or identity symbols associated with small players' logic. Building on Sine and David's (2003) work, which proposes that prominent

players' are more open to partnering with peripheral players after a jolt occurs, I also found that there is a positive association between an environmental jolt and the diffusion of new practices or identity symbols associated with small players' logic.

The quantitative studies also found a positive association between acknowledgement of new practices and identity symbols, which embody a new, small players' logic, by authorities in other prestigious fields, and the diffusion of those new practices and identity symbols. This finding is particularly important for small players who do not have the resources and coercive measures, as well as the normative means required to instigate large-scale change within a mature field. It thus reveals how organizations or institutions in other organizational fields can help entrepreneurs diffuse their practices and, hence, stimulate change within a focal field regardless of an entrepreneur's status or position in that focal field. Past research has focused on prominent players within a focal field, which have ties to other fields (hold boundary spanning positions), as instigators of change (Greenwood & Suddaby, 2006). Or, studies have described prominent players as the only players capable of invoking profound change within a field. Meyer and Rowan (1977), for instance, claim that efforts to profoundly change institutional environments can occur only through coercion, such that prominent organizations force immediate relational networks to adapt to their processes. The quantitative portion of my thesis instead suggests that it is not only prominent players within a focal field that can instigate change. Prominent authorities in other prestigious fields can help less powerful players diffuse their new practices within their own mature, focal field.

Within Study 2 of the quantitative portion of my thesis (Chapters 5 and 7), I illustrate how identity symbols associated with small players diffuse. Hence, like Glynn and Abzug (2002), I consider symbolic isomorphic change; a subject that



has received very little attention when compared to research on isomorphic change associated with practices and organizational forms (e.g., Tolbert & Zucker, 1983). In this study, I consider the emergence of a new identity within a mature organizational field. This new identity is represented by what Glynn and Abzug (2002) call symbolic attributes. They (2002) claim that symbolic isomorphism, such as organizational conformity to institutionalized naming practices, can lead to an organization's legitimation – a greater public understanding of an organization. Unlike Glynn and Abzug (2002: 267), I do not consider, however, how the resemblance of an organization's symbolic attributes, represented by names, to those of other organizations within a field, increases an organization's legitimacy. I examine, instead, processes that facilitate the diffusion of new identity symbols (Canadian brand names) associated with small players' logic. These identity symbols ultimately reflect the emergence of a new identity within a field.

The quantitative results also inform ideas presented in the theoretical and qualitative study portions of my thesis. For example, while the qualitative study and theoretical portions of my thesis identified small players' theorization as helping diffuse small players' practices, the quantitative studies operationalized theorization using counts of positive statements made about small players' practices by small players in the media and found that such theorization does indeed help diffuse those small players' practices. Hence, the qualitative study portion of the thesis provides insight into how small players change mature fields by revealing the types of strategies those small players use and how such strategies lead to the emergence of multiple logics. The quantitative study portion then proves that entrepreneurial activity by small players is an important force that facilitates change in mature fields. In terms of how small players change mature fields, I propose in the qualitative study portion of the thesis that small players who use inclusive theorization strategies that complement not compete with prominent players' practices are more likely to gain acceptance of their new practices within a mature field. For instance, while most studies to date define

theorization as involving the identification of organizational failing for which a new practice is a solution, small players in the Canadian wine field did not identify failings in practices used by prominent players when introducing their practices. Such inclusive strategies eventually led to the emergence of multiple logics within a field.

This thesis' quantitative results may also provide insight into the existence of multiple logics within a field. For instance, interactions with multiple authorities within an organization's own focal field and those in other prestigious fields cause institutional pluralism or rather, situations where organizations confront multiple institutional rules. Such pluralism may lead to the emergence of multiple institutionally derived logics and identities (Kraatz & Block, 2008). Furthermore, many prominent players in the Canadian wine industry did not give up old practices when adopting new ones during an environmental jolt (e.g., the Free Trade Agreement). Thus, my quantitative findings may suggest that players adopt dual logics and identities in times of crisis in order to avoid the risk of failure associated with 'putting your eggs in one basket'. Future studies should consider whether various endogenous and exogenous forces proposed in this thesis facilitate the diffusion of multiple logics and identity symbols within mature organizational fields. These future studies should also consider the types of organizations that tend to adopt multiple logics or identities as a result of those forces.

### ***8.1.2 Insights for Practitioners***

My thesis has practical implications for small players in mature organizational fields. The first implication is that less powerful players must consider using strategies that complement and do not degrade prominent players' practices when introducing new practices. This is especially the case if prominent players' livelihood depends on those prevailing practices. If small players do not use such 'inclusive' or complementary practices, which protect old practices from

being rejected by other stakeholders in the field, these small players' entrepreneurial efforts may be revolted against by the prominent players that use those old practices. It thus follows that entrepreneurs do not have to put down a prevailing logic in an effort to ensure that that older logic disappears and subsequently makes room for a new logic.

Second, in mature fields where multiple logics coexist, entrepreneurial strategies used to diffuse new practices within mature organizational fields differ from those required to ensure the persistence of newly institutionalized practices. Therefore, although collaboration with main industry associations helped diffuse new practices, such collaboration may over time hinder the reproduction of those new practices. As such, proponents of new practices should reconsider the strategies they used originally to diffuse new practices when trying to understand how to ensure those new practices' persistence over time. Finally, less powerful players may also consider developing practices that are somewhat harmonized with those in more prestigious fields. This may lead to acknowledgement of such practices by authorities in those fields. Acknowledgement from a prominent authority in another prestigious field may cause key stakeholders in one's own field to take notice and ultimately accept new practices. Furthermore, entrepreneurs can facilitate the diffusion of new practices by harmonizing them with (ensuring that they have similar traits to) successful ones that are already being used in more prestigious fields. This may enable prominent players to see how implementing the small players' new practices could lead to similar success in their focal field as that found in more prestigious fields.

## **8.2 Generalizability**

In terms of generalizability, my findings are more applicable to mature fields where market forces are strong and consumers are an important audience. I refer to mature fields where there is an 'old guard' dedicated to the prevailing

logic and a 'new guard' taking advantage of an opportunity to create and diffuse a new logic. The opportunity presented to the small players may be created by an environmental crisis or change in consumer preferences. Many of my qualitative and quantitative study findings suggest that if small players convince many consumers to accept their practices and hence, generate demand for those practices through theorization or certification symbols then prominent players will adopt those new practices. In terms of the emergence of multiple logics, my findings apply to mature fields where there are strong market forces and heterogeneous demand. In the case of the Canadian wine industry, for instance, there is demand for both less expensive bottled wines and locally produced higher end domestic wines. Wine cannot be made inexpensively in a cold climate region like Canada. As such, bottled wines made with lower cost structures tend to satisfy those consumers seeking less expensive wine.

Furthermore, my findings pertain to culturally laden products. Domestic wines by their very nature are culturally laden products that is, products that increase consumer feeling of a cultural affiliation. By consuming domestic wines made with 100% domestically grown grapes and practices that are somewhat harmonized with those in more prestigious fields such as in Europe, consumers will feel an affiliation with the Canadian and/or European culture. In the past, with the increase in European immigrants in Canada, consumers who demanded European products may have appreciated the domestic wines because they were made with practices which were harmonized with those in Europe. Today, consumers may purchase the domestic wines because it evokes feelings of affiliation with the Canadian culture. By communicating to consumers the nature of their practices (which are often not visible or not understood by the general public) through symbols and theorization, my findings suggest that small players are able to gain consumers' appreciation for and acceptance of, their practices. The growing demand for small players' practices will in turn cause prominent players to adopt those practices.

Given that my findings pertain to fields with strong market forces that create a need for both the new and old practices, scholars may find similar results to those outlined in this thesis in the whole or organic food industries. Currently, there is demand for both less expensive, industrially processed foods (e.g., which increase the rate and amount of food produced through use of such substances as antibiotics and pesticides) and expensive organic or whole foods. Moreover, the whole and organic food industries share similar characteristics to those found in the Canadian wine industry. For instance, the organic food industry's certification efforts in the 1970s were first organized by local nonprofits which "primarily represented the interests of small, organic farmers" (Lee, 2009: 1249). These local efforts were mainly spurred by ideological forces. The small players' ideologies and products were at first "ignored by mainstream agricultural business" (Lee, 2009: 1249). As the number and power of local and federated certification programs grew, many pioneering states such as Oregon and Washington established certifications systems in the 1970s and 1980s (Lee, 2009: 1249-1250). Eventually, increased demand for organic food due to a pesticide-related food scare in the 1989 (jolt) and the availability of comprehensive state program models led to increases in the establishment of state certification programs in the United States (Lee, 2009: 1250). The rise of the whole and organic industry alongside prevailing methods can also be perceived as the return of traditional methods of producing food. For instance, only in the 20<sup>th</sup> century have synthetic chemicals been used as pesticides in the mainstream agricultural industry. Furthermore, only in the past century has livestock been reared without regular access to pastures and the use of antibiotics. Hence, prior to the 1900s, mainstream agricultural industry practices were largely organic. As such, my findings may not only apply to the emergence of a new logic that coexists with an old logic but also the fluctuation of two logics with a mature field over time.

My findings may not apply to newly emerging, faddish, or fast-paced fields or highly normative fields. Unlike, fashions and fads which are favoured for a short time by a large number of actors, I consider change that is gradual and

enduring. Indeed, the VQA was regulated 25 years after it was introduced within the field. It also does not apply to emerging fields or fast-paced fields where institutionalized logics are not in place, logics are not stable, or it is not clear what the dominant logic may be. Fast-paced technology fields such as the software field differ from mature fields where multiple logics may persist over time. In fast-paced industries where practices (e.g., technology) change rapidly, organizational “knowledge and capabilities obsolesce more rapidly than in other industries” (Christensen, Suarez, & Utterback, 1998: 213). In the case of the Canadian wine industry, knowledge and capabilities associated with both logics are still relevant and required to meet consumer needs.

In sum, this thesis helps explain how small players change mature organizational fields. First, the theoretical portion of my thesis proposes means by which small players’ logics diffuse and become legitimate within a mature organizational field. As mentioned, it provides an integrative framework showing how different types of players and exogenous forces interact to facilitate the evolution of a mature field. Second, the qualitative study of the VQA illustrates ways in which small players diffuse and institutionalize new practices. It outlines specific entrepreneurial actions taken by small players that differ from those described in past studies that are taken by prominent players in mature fields (Greenwood et al., 2002; Rao et al., 2003). It also proposes factors that affect the persistence of small players’ logic within a mature field. Thus, this thesis responds to scholars’ call to consider the emergence and persistence of multiple logics within a field (e.g., Purdy & Gray, 2009). Finally, the quantitative portion of this thesis examines whether various entrepreneurial action and exogenous forces facilitate diffusion of small players’ practices and identity symbols. Similar to studies that feature *prominent* players in *mature* fields (e.g., Greenwood et al., 2002) and small players in *emerging* fields (e.g., Maguire, Hardy, & Lawrence, 2004), I found that such forces as theorization also facilitate the diffusion of *small* players’ practices and identity symbols within a *mature* field. Moreover, my study

also introduces the idea that authorities in more prestigious fields can help less powerful players change their focal field.

### **8.3 Limitations & Future Research Suggestions**

First, my thesis presents a view of the dynamics involved with institutional change processes and various constellations of logics that exist in a case where niche market logics spill over to become mainstream. Therefore, my thesis does not present a comprehensive view of the interactions and various logics that exist and take place within a mature organizational field. Second, I assume that certain institutional arrangements are already established such that participants are embedded in a prevailing institutional logic (Seo & Creed, 2002: 241). Therefore, my thesis findings and theoretical framework are more applicable to mature organizational fields rather than to newly emerging, fast-paced, or faddish organizational fields, whereby institutional logics and social structures are not stable. My findings thus have limited generalizability. However, similar to Maguire et al. (2004: 675), I feel that the focus on a single research case “was necessary to explore how complex and nested activities occurred over time.” Future research should examine the applicability of my findings to other types of organizational fields. After all, an in-depth theory of institutional entrepreneurship involving small players in mature fields requires “comparative case analysis” (Greenwood & Suddaby, 2006: 44).

Third, my thesis studies use a single research site, the Canadian or Ontario wine industry. My thesis thus features a field where professional organizations are active and play a role in shaping the field. It also features a field that is very much driven by economic or market forces. Future studies on how small players gain widespread diffusion and institutionalize new practices in fields where normative pressures are not as great (e.g., fields lacking powerful industry association) would be of interest to examine how processes used in this study apply to such fields. Moreover, my findings should also be tested in fields such as law which are more normative than the wine industry.

Fourth, my studies also have data limitations. In terms of my quantitative studies, I had information required to perform my analysis for only 129 wineries in Study 1 and 95 wineries in Study 2 out of the 243 wineries which existed from 1985 to 2000 in Canada. Typically, larger sample size leads to increased precision in estimates of various properties of the population. As such, future studies would involve testing these hypotheses using larger sample sets. Moreover, out of the two large wineries which exist in the Ontario wine field, I was able to interview two representatives from one of those wineries but not the other. Thus, the views of large wineries within the qualitative study were basically drawn from one large winery and secondary sources of information. The views of large wineries are, however, well-documented in secondary sources of data.

Finally, my thesis draws attention to other aspects that require long term research, and those that have not fully played out over the course of my study. For instance, my qualitative study highlights the need to understand how a growing population of small new entrants changes an institution over time. A new group of entrants who are immune to various normative and coercive reinforcement measures in the Ontario wine industry are currently seeking change. Whether they achieve such change and how they do so is still to be determined. To exemplify this, one such question that could be asked is: How do new entrants facilitate change in the absence of a disruptive event that would destabilize a field and subsequently cause prominent players to search for solutions to issues created by the disruption? Moreover, similar to Greenwood and Suddaby (2006: 44), I found that regulatory changes lag behind the evolution of a field's innovators. Like Greenwood & Suddaby (2006), I feel that more research, on how different agencies change field level regulations according to industry requirements or market demands, is needed. For instance, in the Canadian wine industry, will government agencies change regulations and institutions that benefit the old logic over the new logic? And if so, how and why will those regulations and government institutions change? Such changes are just starting to occur in the Ontario wine field where laws, which small players' perceive as hurting their



businesses, are currently being reviewed (e.g., changes in labelling laws are currently being reviewed by the Federal government).

My study also draws attention to the time horizons associated with institutional change. Even after three decades, the VQA has not yet reached the sedimentation phase of institutionalization. With increased criticality by a growing population of new entrants and lagging regulations that act as barriers to the reproduction of VQA practices, there are still questions as to whether this sedimentation phase will take place. It seems that the VQA and incentives associated with 100% domestic wine production need to change to meet the 100% domestic wine producers' needs (particular new entrants) in order for sedimentation to occur. This means that institutionalization of new practices which by Tolbert and Zucker's definition requires that those new practices persist over many organizational generations involves long term time horizons that span over various decades. Furthermore, it may also involve the evolution of those new practices and the evolution of institutions that support both old and new logics within a field. Such evolution may be required in order to meet the needs of future generations of players. Future research designs of institutional change projects must thus consider long term time horizons that span over various generations in order to determine whether and how multiple logics persist within a field. In particular, long term horizons for institutional change studies are necessary to not only identify the co-existence of multiple logics and their fluctuation over time but also to determine whether the long term persistence of two active multiple logics is viable. In the case of the VQA, it has not yet been determined whether it will: 1) become deinstitutionalized due to its inability to serve future generations' needs, 2) evolve, or 3) persist as it is today. For instance, questions remain as to whether the VQA will become assimilated and/or will change beyond recognition, into a new logic that better suites new entrants' needs. Or, will the VQA become a dormant logic that will surface sometime in the future or continue to be a main logic that persists alongside the old logic? The questioning of rules associated with the VQA and institutions surrounding the VQA has occurred only in the past

few years. As such, the fate of the VQA and current standing of the field as a whole may not be settled for a few years to come. In sum, the suggestions presented above represent ways in which future research can build on this thesis' contributions to understanding the dynamic role of small players as entrepreneurs who change mature fields.

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## APPENDICES

### APPENDIX I: VQA Rules and Regulations Overview

VQA “Ontario is a provincial regulatory authority that administers Ontario’s wine appellation system.” Its “primary functions are wine testing, audits, inspections, compliance. It also acts as a resource for independent information about Ontario’s appellations and wines of origin” (VQA Ontario, 2010a). VQA Ontario does not however, have a direct role in marketing or selling VQA wines.

#### *VQA Ontario’s Act and Mandate*

“Regulations under the VQA Act establish winemaking and labelling standards and reporting requirements for wineries. These regulations are made by the Ontario government. As the delegated authority responsible for the VQA act, VQA Ontario” makes “rules that govern the processes and fees for wine evaluation and testing, inspection frequency and other procedural rules” (VQA, 2010b).

“The main feature of the VQA Act is to establish a regulated appellation system where wine producers must meet a specified standard and seek the approval of the wine authority before they may label wines with related terms. The regulated terms include wine appellation names and methods of production, such as Icewine. A compliance regime is also set out under the Act including provision for audits and inspections, compliance orders, hearings and fines of up to \$100,000 per offence” (VQA Ontario, 2010b).

“VQA Ontario has the following operating objectives:

- To establish, monitor and enforce an appellation of origin system in accordance with the Vintners Quality Alliance Act, 1999 that allows consumers to identify wines on the basis of the area where the grapes are grown, the methods used in making the wine and other quality standards;

- To control the use of specified terms, descriptions and designations associated with the VQA appellation system – by both VQA wines and non-VQA wines made in Ontario;
- To act as the wine authority under the Vintners Quality Alliance Act, 1999, and to participate in discussions with government and other stakeholders which relate to quality wine standards;
- To inform, educate and work with the grape and wine industry, governments and the public to promote the value and benefits of VQA-approved wines.

VQA Ontario’s long term strategic goal is to build a strong and credible appellation system, supported by quality and label integrity, and to raise the recognition and knowledge of each of Ontario’s wine appellations and their unique features” (VQA Ontario, 2010c).

### ***VQA Ontario History***

“VQA Ontario was designated as Ontario's wine authority under the Vintners Quality Alliance Act, 1999 on June 29, 2000” by Robert W. Runciman, Minister of Consumer and Commercial Relations (VQA Ontario, 2010d).

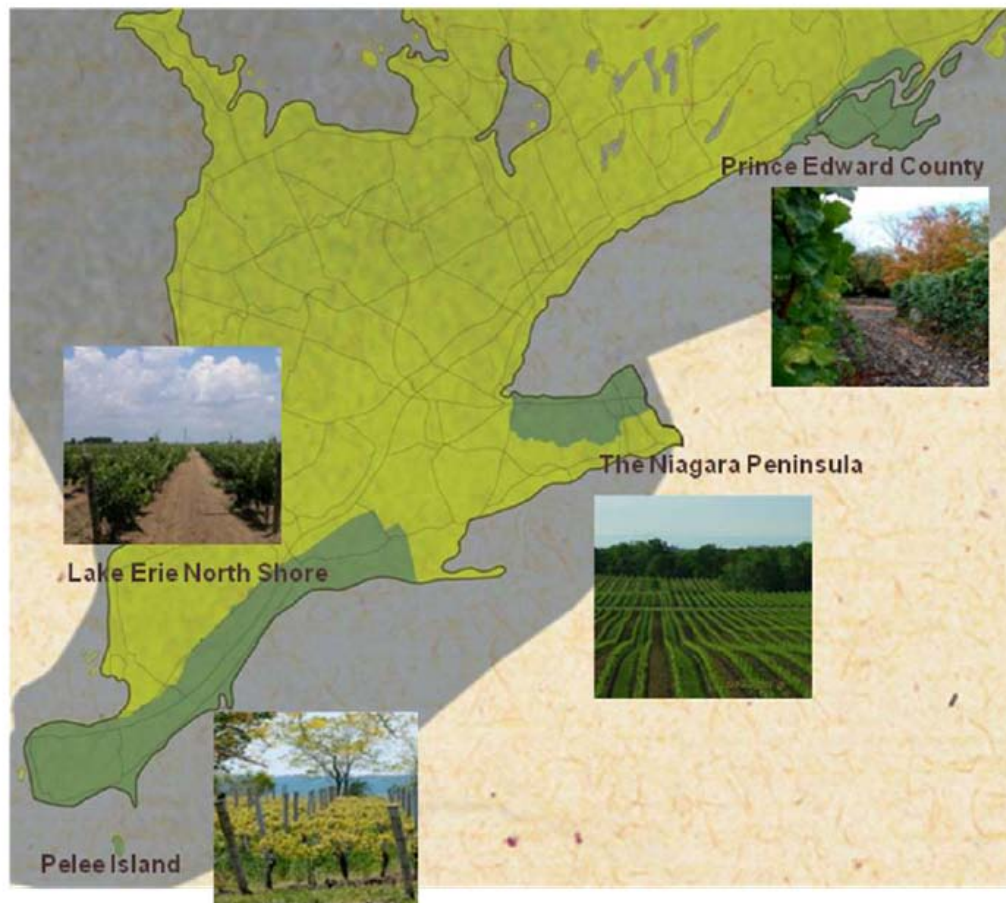
“In its capacity as Ontario's wine authority, VQA Ontario exercises delegated authority to administer and enforce the VQA Act and its associated regulations. It is accountable to the Minister of Small Business and Consumer Services and operates under a framework set out in an administrative agreement with the Ministry. Along with its statutory duties, VQA Ontario engages in related activities such as promoting awareness of the VQA appellation system, participating in national and international standards discussions and encouraging public education about VQA appellations and wines” (VQA Ontario, 2010d).

### ***Appellation***

“All Ontario VQA wines are made from 100% Ontario grown grapes. In order to claim a more specific appellation of origin – for example ‘VQA Niagara Peninsula VQA’ – wines must meet quality and production standards” and “demonstrate that all grapes used in production were exclusively grown in Ontario, with at least 85% grown in the stated appellation. Wines from the Niagara Peninsula wines can further claim a sub-appellation of origin, if 100% of grapes used in production were grown within one of the ten sub-appellations. In addition to sub-appellations, two regions have been created within the Niagara Peninsula to regulate the use of widely recognized names – Niagara-on-the-Lake and Niagara Escarpment. Niagara-on-the-Lake may appear on the label of a wine sourced from the growing area east of St. Catharines, while Niagara Escarpment may be used on wines sourced along the bench area west of St. Catharines” (VQA Ontario, 2010e).

Ontario has so far identified four primary Viticultural Areas or appellations of origin. These include: Niagara Peninsula, Lake Erie North Shore, Pelee Island, and Prince Edward County. Within the Niagara Peninsula appellation, ten distinct subappellations have been identified. These subappellations include areas on the plains close to Lake Ontario and the benchlands of the Niagara Escarpment (VQA Ontario, 2010e). The subappellations experienced its first full year of regulation in 2007 (VQA Ontario, 2007). Figure 1 shows a map of VQA appellations below.

Figure 1  
VQA Appellation Map<sup>56</sup>



### The Niagara Peninsula

“The Niagara Peninsula has the largest planted area of all viticultural areas in Canada.” Varieties grown in this region include “Riesling, Chardonnay, Gamay Noir, Pinot Noir and Cabernet Franc.” The region now has over 32 varieties “across 13,600 acres.” The Niagara Peninsula is “home to approximately 85% of Ontario's VQA wineries” (VQA Ontario, 2010f).

### Lake Erie

The Lake Erie appellation stretches from the “shoreline of Lake Erie from Amherstburg to Leamington.” It includes “the vineyards in the southwestern extremity of Ontario.” Its “southerly location combined with the warming effect

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<sup>56</sup> Source: VQA Ontario, 2010e

of the shallow waters of Lake Erie allow this appellation to enjoy a long growing season and promotes ripe fruit” (VQA Ontario, 2010g).

#### Pelee Island

“Pelee Island, a small island of approximately 10 000 acres, is Canada's most southerly point.” It is “Canada's smallest viticultural area. Situated in Lake Erie about 20 kilometres off the shoreline, Pelee Island enjoys the longest growing season of all appellations in Ontario. Warm breezes off of Lake Erie moderate summer and fall temperatures, and harvest usually begins two to three weeks earlier than in the other appellations – often in August. The long, warm growing season favours some varieties that are unusual for Ontario, including Tempranillo” (VQA Ontario, 2010h).

#### Prince Edward County

“Prince Edward County is located at the eastern end of Lake Ontario, just south of Belleville, and encompasses the County, Amherst Island and a narrow strip of land to the north.” It “is Ontario's most northern appellation and relies on the lake to provide a moderated and productive cool climate growing season. Much of the appellation, where most vineyards are located, is separated from the mainland by the Bay of Quinte and completely surrounded by the waters of Lake Ontario. Bays, inlets and coves surround ‘The County’ as it is known, creating more than 500 miles of shoreline, including the well known Sandbanks beach” (VQA Ontario, 2010i).

#### ***Winemaking Standards and Regulations***

VQA regulations set out basic standards for grapes and wines. The VQA regulates or oversees regulations pertaining to grape varieties, grape ripeness, varietal content, sensory and chemical content, and labelling. It does not regulate such things as vine density and grape yield in the vineyard and yeast types of fermentation temperatures (VQA Ontario, 2010j). Detail regarding regulated categories is as follows:

- 1) Grape varieties - It authorizes what grape varieties can be used in particular types of wine. “VQA Ontario maintains a restricted list of permitted variety to manage quality inputs” (VQA Ontario, 2010j). These include:
  - i. *Vitis vinifera*: “VQA Ontario permits the use of almost all common *Vitis vinifera* varieties based on the rationale that they are globally recognized as suitable for wine production” (VQA Ontario, 2010j). *Vitis vinifera* is a grape species originating in Europe and traditionally used for wine for many hundreds of years (VQA Ontario, 2010j).
  - ii. Hybrid Grapes: “VQA Ontario allows wine production from a short list of 8 grapes which are hybrids produced from crosses of *Vitis vinifera* and other species. Wines made from hybrid grapes must declare the grape variety on the label. The permitted hybrids have been carefully selected based on a demonstrated record of quality achievement. Of particular note is the success of the Vidal Blanc for making Icewine. Other hybrids have not been included on the list of permitted varieties because of a history of association with an undesirable character described as” ‘foxy’” or musky odour. “More specifically, hybrids with *Vitis Labrusca* parentage are not permitted to be used in any VQA wine. Wineries are free to produce wines from grape varieties that do not appear on the authorized list, however these wines must not be labelled with VQA appellation terms” (VQA Ontario, 2010j).
- 2) Grape Ripeness (Brix levels) – VQA Ontario wines should have particular brix levels. “The Brix scale is a system used to measure the sugar content of grapes and is typically used as a simplified measure of ripeness. The Brix of juice from crushed grapes is determined using a Hydrometer, which measures specific gravity (the density of a liquid in relation to that of water). Each degree Brix is equivalent to 1 gram of sugar per 100 grams of grape juice. The grapes for most table wines will have a Brix reading of between 17 and 24

Brix at harvest, depending on the grape variety and with an average of about 21 or 22 degrees. Most of the sugar in the grapes will be converted into alcohol during fermentation. Grape ripeness and flavour is also impacted by acidity and complex phenolic character and winemakers often rely on tasting the grapes for their final decision about when to harvest” (VQA Ontario, 2010j). The brix levels that certain VQA wines are required to have according to VQA act regulations depends on their geographic designation or wine category.

- 3) Varietal Content – VQA Ontario regulates grape varietal content in VQA wines. In general, wines must have the varietal content requirements specified in Table 1.

“Varietal labelling rules ensure that when grape varieties appear on the label, the wine is predominantly made up of those varieties. Wines labelled with varieties are also assessed for typicity when tasted by the VQA tasting panel to ensure that the character of the wine is within the range of character expected for that varietal ... These ranges can be quite broad and encompass winemaking styles, such as oaked or not oaked” (VQA Ontario, 2010j).

Table 1: Varietal Content Requirements<sup>57</sup>

Varietal	Requirements
Single Varietal	The wine must be made from at least 85% of the grape variety named.
Dual Varietal	<p>The wine must be made from:</p> <ul style="list-style-type: none"> <li>• At least 90% of the two grape varieties named.</li> <li>• At least 15% from the second variety named.</li> </ul> <p>The varieties must be listed on the label in descending order of content.</p>
Triple Varietal	<p>The wine must be made from:</p> <ul style="list-style-type: none"> <li>• At least 95% of the three grape varieties named</li> <li>• At least 15% from the second variety named</li> <li>• At least 10% from the third variety named</li> </ul> <p>The varieties must be listed on the label in descending order of content.</p>
Non-Varietal	The wine must be made entirely from vitis vinifera grape varieties if it is not labelled as a varietal wine.

4) Sensory and chemical criteria for the finished wine – VQA Ontario require wineries to follow certain sensory and chemical criteria when producing wines. “All VQA wines are subject to a full chemical analysis. The analysis includes health safety components and wine chemistry.” This analysis is “performed to confirm that the wine meets standards set by VQA Ontario, the LCBO and the federal government. VQA Ontario also uses this analysis as a benchmark to verify through random testing whether the wine released for sale is of the same provenance as the wine submitted for approval” (VQA Ontario, 2010j). In terms of health safety components “wines are tested for a

<sup>57</sup> Source: VQA Ontario, 2010j.



range of contaminants such as pesticides and trace heavy metals. Any wine that exceed limits for identified contaminants are rejected by VQA Ontario” (VQA Ontario, 2010j). In terms of full chemical analysis, all wine “samples are analyzed for basic wine chemistry, including sulphites, volatile acidity, alcohol content and residual sugar. Sulphite levels and volatile acidity are subject to limits for quality assurance purposes and, in the case of sulphites, for health reasons. Alcohol and residual sugar are used to assess the wine character and ensure accurate labelling” (VQA Ontario, 2010j). Table 2 below outlines certain sensory and chemical criteria VQA wines are required to follow.

Table 2: Permissible Limits for Chemical Analysis<sup>58</sup>

Substance	Permissible limits
Arsenic (ppb)	100
Cadmium (ppb)	20
Cobalt (ppb)	20
Copper (ppm)	1.0 (Table Wine)
Diethylene Glycol (ppm)	10
Dyes	Not permitted

<sup>58</sup> Source: VQA Ontario, 2010j

Lead (ppb)	200
Methyl Alcohol (ppm)	400
Potassium Ferrocyanide (ppb)	500
Sodium (ppm)	500
Sorbic Acid (ppm)	200 (500 if less than 9% alc., or if greater than 1% sugar)
Sugar (g/100 ml)	no limit

- 5) Labelling - In general, all information specified on VQA wine labels “must be legible and of sufficient size and contrast to be readily identified by the consumer” (VQA Ontario, 2010k).

“The front label or ‘principal display panel’ is defined as the side which would normally be displayed to the consumer. In cases where there is a question about what surface constitutes the principal display panel, a determination will be made by VQA Ontario based on common practices. VQA regulated terms must be used in only accordance with an approval issued by VQA Ontario. These terms include icewine, estate bottled, and Niagara Peninsula” (VQA Ontario, 2010k). “These terms are not permitted for use in any form on the label of non-VQA wines or on a label or packaging of a VQA wine - including the back label - that is not entitled to the specific term” (VQA Ontario, 2010k). “No references to appellation names are permitted for wines that do not qualify for the stated appellation” (VQA Ontario, 2010k). Moreover, “no label may refer to multiple appellations

unless one is a sub-appellation of the other and the wine qualifies for both” (VQA Ontario, 2010k). Finally, wineries are not permitted to use close variations of VQA regulated terms for VQA or non VQA wines. For example, wineries producing VQA or non VQA wines are not permitted to use close variations of the regulated term Icewine. These close variations may include Ice Wine and Icevine (VQA Ontario, 2010k).

When grape varieties are named on the label, wineries are restricted to using “authorized grape varieties.” These grape varieties must also “appear as listed in regulations” (e.g., no synonyms are allowed unless they “are specified in the Regulation”) (VQA Ontario, 2010k).

## APPENDIX II

### Semi-structured Interview Protocol

#### Introduction

1. Thank the interviewee for agreeing to be interviewed.
2. Explain to interviewee:
  - the duration of the interview (approx. 1 and ½ hour)
  - the purpose of the interview is to gain insight on the experiences of the interviewee
  - that identify of interviewee will remain confidential.
  - the interview is organized in a chronological sequence;
    - i. The opening questions will be concerning the interviewee background and your winery's experience;
    - ii. These questions will be followed by questions concerning the interviewee's perspective of the VQA;
    - iii. These questions will then be followed by questions about the winery's relations with other wineries;
    - iv. The final questions will concern descriptive/statistical questions about your winery.
3. Ask permission to use a tape recorder.
4. Ask the interviewee if he/she has any questions

#### *1. Background*

- I. Please tell me about your career in the wine industry up to this point?
- II. Please tell me about your role in the winery?
- III. What has been a positive influence on the success of your winery?
  - Can you please provide an example?
- IV. What has inhibited or slowed the success of your winery?
  - Can you please provide an example?
- V. What would you like to see happen to help your winery?

#### *3. VQA*

- I. Is it a member of the VQA and if so, when did it join the VQA? I would like to understand your perspective of the VQA. What is your current organization's experience with the VQA?

- How did your organization become a member of the VQA (if a member of the VQA)?
    - How was the VQA created and funded?
    - What processes, strategies, or critical events within the industry facilitated the adoption of the VQA by your organization in the industry over the past 20 years?
    - Who was the VQA program initially targeting as members and how has that changed?
  - Why (or why not) did your winery become a member of the VQA?
  - What did you originally think about the VQA?
  - What do you think now about the VQA?
    - What do you think of the approaches taken so far, in developing the VQA
    - What was done well and what needs to be improved (processes)?
    - What has been gained (outcomes) or lost through the VQA process?
  - If you had to identify distinct periods in the development of the VQA, what would they be?
    - What political or economic events influenced the development of the VQA?
    - What milestones has the VQA achieved?
    - What crises has it endured?
  - What changes do you perceive in your winery as a result of involvement in the VQA?
  - What (if anything) would make you consider joining the VQA (for non VQA members)?
- II. What are your current expectations regarding the VQA (next 6 months to a year)?
- What outcomes would you like to see achieved by the VQA in order to ensure that it is successful?
  - Where is VQA Now?

- What process or strategy do you believe should be used to get there or to achieve the outcomes you just mentioned?

III. How do you see the VQA evolving in the next 5 years?

- Where do you think it is going?
- If you were in charge of the VQA where would you want it to be in the next 5 years?

**4. Winery's collective action and roles within industry**

I. What is your wineries experience in developing relationships with other wineries or industry associations?

- Are you a member of industry associations? If so, how did you become a member of that particular association(s)?
  - If so which ones?
  - When did you join the associations?
- What wineries influence your winery the most and why?
- How did these wineries or associations influence your winery?
  - Can you provide me with a specific example?
- How often do you hold meetings with other wineries?
  - When did these meetings first take place?
  - When do the meetings take place?
  - Who is involved in the meetings?
  - Where do these meetings take place?

II. What is your organization's role in trying to influence the industry and its developments?

- Could you provide me with a specific example?
- When did this occur?
- Who else was involved?
- How did it come about?

**5. Other Winey Background Questions (if not in Wines and Vines database)**

I. What is your winery's experience with producing icewine?

- When did your winery first begin producing icewine?

- Why did your winery first start producing icewine?
- II. What is your winery's experience with grape growing?
- When did it first start growing vinifera?
  - What types of vinifera did you first start growing (top three varieties from founding)?
  - What types of vinifera does it specialize in now?
  - Has the types of vinifera grown by your winery changed throughout the years? If so, how?
  - What other types of varieties do you grow?
- III. What is your winery's current capacity or casegood production? Was it always the same? If not, how has the casegood production or current capacity changed over the years (if not in Wines and Vines)?

## ***6. Conclusion***

- I. Is there anything you would like to talk about that appears relevant or anything else you would like to add?
- II. Was the interview useful? If so, in what ways?
- III. Would you mind if I contact you again if I have further questions?

## APPENDIX III

### Informed Consent: Agreement to Participate in Qualitative Study



McGill



Desautels Faculty of Management  
Faculté de gestion Desautels

### Informed Consent: Agreement to Participate in Study

**Researcher:** Laura Ierfino, PhD Candidate, Faculty of Management.

**Supervisors:** Dr. Robert David, Email: [Robert.david@mcgill.ca](mailto:Robert.david@mcgill.ca) and Dr. Jan Jorgensen, Email: [jan.jorgensen@mcgill.ca](mailto:jan.jorgensen@mcgill.ca)

**Contact Information:** (514) 770-3348, (613) 230-8748.

**Purpose of Research:** To explore the emergence and diffusion of Canadian wine industry practices such as the VQA standard, ice wine production, and vinifera. In particular, the study investigates the organizational and environmental forces that contributed to the emergence and diffusion of such practices. Furthermore, it will explore where the Canadian wine industry is now and where it needs to go from here. The data collected will be used for the purpose of a thesis dissertation and to prepare academic articles. Once the thesis is written a summary will be sent to all participants. Please note however that I am not affiliated in any way with any organization within the wine industry. My only affiliation is with McGill University.

**What is involved in participating:** As part of the project, I will ask you questions related to your experience in the Canadian wine industry. The time and length of the interview will be at your convenience.

My preference is to record the interviews so that you do not have to wait while I take notes. Your confidentiality will be protected. Nothing you say will be attributed to you without your written permission; otherwise the information will be reported in such a way as to make direct association with yourself impossible. My pledge to confidentiality thus means that no other persons or organization besides the researchers will have access to the interview materials. Furthermore, the interview materials will be coded and stored in such a way as to make it impossible to identify them directly with any individual (e.g., they will be organized by number rather than name).

Your participation is entirely voluntary and you can choose to decline to answer any question or even to withdraw at any point from the project. There is no compensation for participating. A summary of my study will be sent to you after my thesis is completed.

McGill University is committed to the ethical conduct of research: studies involving interviews require written consent of participants. Your signature below serves to signify that you agree to participate in this study.

**Consent:**



I agree to be audio-taped \_\_\_\_\_ Yes \_\_\_\_\_ No  
I wish to be identified in the report \_\_\_\_\_ Yes \_\_\_\_\_ No  
I agree to be directly quoted ( only quotes that I have reviewed prior to  
being placed in the report)  
\_\_\_\_\_ Yes \_\_\_\_\_ No

I have read the above information and I agree to participate in this study.

Signature: \_\_\_\_\_

Researcher's

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Date:

\_\_\_\_\_  
Once you have read and signed this form, please fax it to 613-667-9926 or scan it and  
email it to [laura.ierfino@mail.mcgill.ca](mailto:laura.ierfino@mail.mcgill.ca)

## APPENDIX IV

### Research Confidentiality Agreement with Transcribers



McGill



Desautels Faculty of Management  
Faculté de gestion Desautels

#### Research Confidentiality Agreement

**Researcher:** Laura Ierfino, PhD Candidate, Faculty of Management.

**Supervisors:** Dr. Robert David, Email: [Robert.david@mcgill.ca](mailto:Robert.david@mcgill.ca) and Dr. Jan Jorgensen, Email: [jan.jorgensen@mcgill.ca](mailto:jan.jorgensen@mcgill.ca)

**Contact Information:** (514) 770-3348, (613) 230-8748.

**Purpose of Research:** To explore the emergence and diffusion of Canadian wine industry practices such as the VQA standard, ice wine production, and vinifera. In particular, the study investigates the organizational and environmental forces that contributed to the emergence and diffusion of such practices. Furthermore, it will explore where the Canadian wine industry is now and where it needs to go from here. The data collected will be used for the purpose of a thesis dissertation and to prepare academic articles. Once the thesis is written a summary will be sent to all participants. Please note however that I am not affiliated in any way with any organization within the wine industry. My only affiliation is with McGill University.

**What is involved in participating as a transcriber:** The confidentiality of each interviewee interviewed by Laura Ierfino as well as the organization they are affiliated with will be protected by the organization and/or individuals hired by Laura Ierfino to perform transcription of interviews. Nothing the interviewee says will be attributed to the interviewee or the organization in which they are affiliated with without the interviewee's written permission; otherwise the information will be reported in such a way as to make direct association with the interviewee impossible. As a transcriber, your pledge to confidentiality thus means that no other persons or organization besides Laura Ierfino and transcribers (transcribing the interviews conducted by Laura Ierfino) hired by Laura Ierfino will have access to the interview materials. Furthermore, the transcriber(s) transcribing interviews conducted by Laura Ierfino shall not share information transcribed or heard through any audio mechanism with anyone besides Laura Ierfino. Furthermore, the interview materials will be coded and stored in such a way as to make it impossible to identify them directly with any individual (e.g., they will be organized by number rather than name).

McGill University is committed to the ethical conduct of research: studies involving interviews require written consent of participants. Your signature below serves to signify that you agree to keep any information that you are transcribing confidential and thus not share it with any other person besides Laura Ierfino.

I have read the above information and agree to keep all information I transcribe confidential and thus not share it with anyone other than Laura Ierfino.

Signature: \_\_\_\_\_

Researcher's

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Date:

\_\_\_\_\_

Once you have read and signed this form, please fax it to 613-667-9926 or scan it and email it to [laura.ierfino@mail.mcgill.ca](mailto:laura.ierfino@mail.mcgill.ca)

## **APPENDIX V**

### **Ontario Wine Industry Regulations: Recent Changes**

On October 13<sup>th</sup>, 2009, the Ontario government increased the tax levies on ‘Cellared in Canada’ (CIC) blended wines sold in winery retail stores. This change became effective on July 1, 2010.

The Ontario government is also currently implementing a VQA support program, marketing initiative, and transition program. The programs will be financed with the increased levies of 10 percentage points on CIC wines sold in winery retail stores (Government of Ontario, 2009b). “Currently an \$8.00 bottle of wine sold through the LCBO incurs \$5.10 in taxes and levies as compared to the same bottle of wine sold at the Winery retail store which incurs \$2.07 in taxes and levies” (George, 2010). The 10% surplus will increase the \$2.07 levies for CIC wines sold in winery retail stores (George, 2010). It is expected that the differential rate of these levies will generate \$12 million in revenue that will go towards supporting Ontario’s strategy for VQA wines and grapes in Ontario (Government of Ontario, 2009a). The government introduced legislation to eliminate the domestic content requirement for blended wines in the Wine Content and Labelling Act, 2000 by 2014 (Government of Ontario, 2009a). The government’s plan is as follows:

- 1) \$6 million per year over a period of 5 years will go towards promoting sales of VQA wines in LCBO stores (George, 2010; Government of Ontario, 2010). This follows a renewal of the VQA Wine Support Program (Government of Ontario, 2010).
- 2) \$3 million per year over a period of five years will go towards “marketing and tourism activities in the wine regions of the province” (Government of Ontario, 2010).

- 3) Starting in 2011, \$3 million per year over a period of four years will go towards helping grape growers transition to a long-term focus on VQA wines. The Wine Content and Labelling Act (2000) will be amended. The purpose of the Wine Content and Labelling Act is “to establish minimum content and labelling standards for the manufacture of wine in Ontario” (Government of Ontario, 2010). The government will require a short term increase in wineries’ overall CIC content from 30% to 40%, with a 25% bottle minimum (from 30%) (Government of Ontario, 2009a). However, this short-term increase is a transitional move to help farmers adjust to a new grape varietal plan designed to boost production and quality before new legislation eliminates the domestic content requirement for blended wines in 2014 (Benzie, 2009). The 5% reduction of Ontario grape content by bottle will ensure that adequate quantities of Ontario vinifera grapes are available for VQA wines (George, 2010).

The government will also work with the LCBO and the wine industry to ensure clearer labelling and signage for all Ontario wines (Government of Canada, 2009a). The Federal Government is currently reviewing labelling laws concerning wines made with imported content. The government’s plan also will help increase consumer access to VQA at the LCBO. The LCBO have already changed signs within their stores which indicate that CIC wines are made with domestic and foreign content.

## APPENDIX VI

### Mini-questionnaire

#### QUESTIONNAIRE

**INSTRUCTIONS:** Please type in your responses under the appropriate question, and return by email to [laura.ierfino@mail.mcgill.ca](mailto:laura.ierfino@mail.mcgill.ca). If you prefer to complete the survey by phone, please call 613-230-8748

#### **I. Founding**

1. What year was your winery founded?
2. Did your winery undergo any name changes and if so, what was your winery's name(s) in the past and when did the name change(s) occur (year)?

#### **II. Icewine**

1. Does your winery produce icewine?
2. If so, what year did your winery first begin producing icewine?

#### **III. Vitis vinifera**

3. What year did your winery first start growing vitis vinifera (European varieties)?
4. What types of vitis vinifera did your winery first start growing (top three varieties)?
5. Have the types of vinifera grown by your winery changed from the time you first started growing vitis vinifera to 2008? If so, what types does it grow now (top three varieties)?
  - If possible, please provide me with your top three varieties for each year and what those varieties were. (e.g., Chardonnay, Pinot Noir, Cabernet Franc from 1987 to 2000, Chardonnay, Pinot Noir, Pinot Gris from 2001 to 2008 etc...)

#### **III. VQA**

7. Does your winery produce VQA wines?
8. If so, what year did your winery first start producing VQA wines?

9. If so, what proportion of your winery's output is VQA wine?

#### **IV. Winery Size**

9. How has the casegood production or current capacity (e.g., gallons of wine stored including or not including fermenting) of your winery changed from 1975 (*or year of founding*) to 2008?
- 1975 (or year of founding) production:  
2008 production:
- If possible, please provide me with the specific year when capacity changes occurred (e.g, due to plant expansions) and what those capacity changes were (e.g., 15,000 annual casegood production from 1983 to 1987, 20,000 annual casegood production from 1988 to 1995, etc.).
10. How many acres of land did your winery lease or own to grow grapes when it was first founded?
11. How has the number of acres of land leased or owned by your winery changed since your winery's founding?
- 1975 (or year of founding) acreage:  
2008 acreage:
- If possible, please provide me with the specific year when acreage changes occurred and what those changes were (e.g., 50 acres owned and/or leased from 1983 to 1987, 100 acres owned and/or leased from 1988 to 1995, etc.).

#### **V. Winery Members Experience Abroad**

12. Did your winery's founder or any of the winery's key employees (e.g., head winemaker) learn about winemaking in other countries? If so, what country or countries, and in what years (e.g., France, in 1982)?
13. What type of ongoing relationships do you have with other organizations or experts in other countries? For instance, do you have a joint venture with another winery or hire consultants from other countries? If so, what countries?

## APPENDIX VII

### Informed Consent: Agreement to Participate in Study for Questionnaire Respondents



McGill



Desautels Faculty of Management  
Faculté de gestion Desautels

### Informed Consent: Agreement to Respond to Questionnaire McGill University

**Researcher:** Laura Ierfino, PhD Candidate, Faculty of Management.

**Supervisors:** Dr. Robert David, Email: [Robert.david@mcgill.ca](mailto:Robert.david@mcgill.ca)

**Contact Information:** (613) 230-8748.

**Purpose of Research:** To explore the emergence and diffusion of Canadian wine industry practices such as the VQA standard, ice wine production, and vinifera. In particular, the study investigates the organizational and environmental forces that contributed to the emergence and diffusion of such practices. The data collected will be used for the purpose of a thesis dissertation and to prepare academic articles. Once the thesis is written a summary will be sent to all participants.

**What is involved in participating:** As part of the project, I will ask you questions related to your experience with various practices such as ice wine production in the Canadian wine industry. I will ask you these questions through the questionnaire I have sent you via email.

Your participation is entirely voluntary and you can choose to decline to answer any question or even to withdraw at any point from the project. There is no compensation for participating. A summary of my study will be sent to you after my thesis is completed.

McGill University is committed to the ethical conduct of research: studies involving questionnaires require written consent of participants. Your signature below serves to signify that you agree to participate in this study.

**Consent:**

I wish to be identified in the report \_\_\_\_\_ Yes \_\_\_\_\_ No

I have read the above information and I agree to participate in this study.



Signature: \_\_\_\_\_  
Signature: \_\_\_\_\_

Researcher's

Name: \_\_\_\_\_  
\_\_\_\_\_

Date:

Once you have read and signed this form, please fax it to 613-667-9926 or scan it and email it to [laura.ierfino@mail.mcgill.ca](mailto:laura.ierfino@mail.mcgill.ca)