**Lent, M., Anderson, A.R., Yunis, M.S. and Hashim, H., 2019. Understanding how legitimacy is acquired among informal home-based Pakistani small businesses. *International Entrepreneurship and Management Journal*, pp.1-21. (early cite)**

**Understanding How Legitimacy is Acquired Among Informal Home-Based Pakistani Small Businesses**

**Introduction**

Governments throughout the world have started paying greater attention to the informal business sector . Informal small businesses, especially in the developing world represent a significant proportion of all businesses and are also important sources of employment (Anderson, Harbi and Brahem, 2013),..This prompted a significant increase in research aimed at better understanding the sector’s entrepreneurs and enterprises (Williams et al. 2016). As a result of these efforts, a great deal more is now known about the sector’s size, demographics and drivers of informality. Arguably, informality may be a well suited practice response to working in difficult environments (Anderson & Russell, 2009, However, in the absence of a better understanding of the influences enabling and constraining action, there is little basis for the design of policy that would be effective in, for example, encouraging entrepreneurs to enter or transition to the formal economyIndeed, there are interesting issues about whether, and how, these informal businesses should be supported.

Nowhere is the need for understanding the actions of entrepreneurs within the informal sector greater that in Pakistan, where GEM (Qureshi and Mian 2012) reports that informally operated sole proprietorships dominate the small and medium enterprise (SME) sector. Not only are many of these informal enterprises home-based, typically they operate incognito, especially in Peshewar where, in 2015, the Peshewar Development Authorityoutlawed the operation of a home-based business. This challenging situation, offers us a potentially conceptual rich situation for investigating how such firms achieve sufficient credibility to operate. In the literature, the terms legitimacy and credibility are commonly used interchangeably. We see credibility as about operating the business and legitimacy as more general. A key challenge for these (and, indeed, all) entrepreneurs is to gain legitimacy among their various stakeholders - customers, suppliers, associates…- enabling them to acquire the resources they need to start and/or sustain their enterprise (DeClercq and Voronov 2009; (Fisher et al. 2016; Stringfellow et al. 2014; Zott and Huy 2007). Moreover,, home-based businesses, generally, are under-researched (Daniel et al. 2015; Mason et al. 2011; Vorley and Rodgers 2012).Therefore, little is known about the process these entrepreneurs engage in to gain legitimacy. It is this void we seek to address. Conceptually, we draw on two perspectives on legitimacy. The institutional perspective emphasises culture as shaping legitimacy. Contrastingly, the strategic perspective emphasises agency, the ability to challenge cultural and other constraints. The interplay of agency and structure enables us to better understand legitimacy processes and entrepreneurial practices..

Specifically, our aim is to ascertain and better understand the legitimation process in a home-based business context. The paper begins by reviewing what is known about the SME sector in Pakistan, specifically, and home-based businesses, generally. It then outlines the two dominant theoretical perspectives that address how organizations acquire legitimacy. These perspectives have shaped our understanding of entrepreneurial legitimacy and guide our investigation. Next the methods are outlined. Following the presentation of the findings using each theoretical lens separately, the discussion considers the results holistically. Indeed, for this cohort of Pakistani informal home-based enterprises, gaining legitimacy was not a mtually exclusive process, but rather one involving an interplay between institutional pressures and strategic responses. The paper concludes by considering implications for theory and policy.

**A Contextual Overview of the SME sector in Pakistan**

The Pakistani SME sector has the dubious distinction of having one of the highest levels of informality in the world (Williams et al. 2016). According to the International Labour Organization (ILO 2013) an informal sector enterprise is an unregistered and/or small-scale private unincorporated enterprise that produces goods or services meant for sale or barter. Surveys of the sector are infrequent and are believed to inadequately account for the large number of unregistered small firms as many want to remain invisible, or because the enumerators lack the motivation to include them in the data. Arguably, this situation is exacerbated by the fact that most unregistered firms tend to be home-based and difficult to identify.

Amidst a very complex legal, tax and administrative environment, most new firms in Pakistan opt not to register[[1]](#footnote-1) (Qureshi and Mian 2012), thereby avoiding the high level of taxes and other obligations that registration entails. Nonetheless,, the 2010–11 Labor Force Survey reports that 74% of the total labour force in Pakistan operates in the informal sector (Pakistan Bureau of Statistics 2011) while the ILO (2012) puts that figure at 73%. Among businesses that are registered, Qureshi and Mian (2012) report a well-established rent-seeking culture, whereby government is expected to provide incentives and subsidies (. Informal business s lack this support and on the contrary, may be vilified as illegitimate. Yet, in adverse circumstances, informality may be a useful strategy (Anderson, Osseichuk,.and Illingworth, 2010),

Traditionally however, government has neglected SMEs (Chemin 2010), excluding them in the national economic policies and opting to support large scale industry. Indeed, the most recent GEM report found that entrepreneurship experts in Pakistan generally rated their government support programs significantly lower than those of the innovation and efficiency driven countries. Cultural and social norms were also reported to be more negative for entrepreneurship in Pakistan than in the other factor and efficiency driven countries (Qureshi and Mian 2012). Indeed, using the contemporary definition of entrepreneurship[[2]](#footnote-2), GEM (Qureshi and Mian 2012) reports that entrepreneurship, , has been historically limited in Pakistan, as do others (Chemin 2010). We thus have a strange situation with very low levels of formal small businesses, yet a remarkably high number of informal businesses that employs more than 70% of the labour force.

For gender, evidence indicates that females are more apt to launch and to continue operating their ventures informally (Williams et al. 2016). This may reflect the religiously conservative culture where women are encouraged to remain in the home (Yunis, Hashim, and Anderson, 2019). Additionally, GEM reports that males have more positive attitude towards entrepreneurship as compared to females; and the male Established Business Ownership (EBO) rate in Pakistan is more than three times that of females. Of all the factor driven countries, the lowest levels of female participation were found in Pakistan, Egypt and Palestine (Qureshi and Mian 2012). It is worth noting that although the number of people in Pakistan who have a positive attitude towards entrepreneurship is less than the average of its factor driven peer countries, the residents of Sindh and Khyber Pakhtoon Khuwa (KPK) - where this investigation takes place - were found to have far more favourable attitudes towards entrepreneurship (Qureshi and Mian 2012).

Recently, there has been an acknowledgement by the Pakistani government of the role of entrepreneurship and innovation as engines of economic growth. This has prompted a review of the country’s economic policies. Indeed, the issue of a Request for Proposals (RFP) for developing a revised SME Policy for Pakistan (RFP # SMEA-RFP-2018-003) suggests that efforts are being made to address the lack of government support and encouragement for entrepreneurship generally.

**Home-based Businesses**

Our definition of a home based business is entities run by individuals who are both self-employed and self-managed (as opposed to individuals who are employees that work from home or do contract work). The owner-operator, who may have employees, uses residential property as a base from which the operation is run. This includes two types of businesses: those where the work occurs in the home, and those where the work occurs away from the home with the home serving as the administrative base (Mason et al. 2011).

Although home-based businesses are said to represent a significant and ever-increasing number of firms (Daniel et al. 2015; Mason et al. 2011), they have garnered very little research attention (Vorley and Rodgers 2012). Consequently, their size and scope, benefits, and operations are largely unknown. The lack of information has been attributed to a number of factors (Mason et al. 2011): official statistics do not differentiate home based businesses from other types of businesses; the number of home-based business vary depending on definitions and data bases; their ‘invisibility’ excludes them from survey research; the entrepreneurs may not wish to disclose the fact that the business is operated out of the home for fear of violating zoning rules or being subject to tax. Nonethless, a number of purported advantages and disadvantages have been advanced (Mason et al. 2011; Thompson et al. 2009) Advantages include the flexibility, especially for women, to meet family responsibilities while earning income; the opportunity to contribute economically, socially and environmentally to the economy by providing a means of achieving work-life balance; a way for people who are tied to the home for social or physical reasons to be economically active and of course, minimising expenses. Disadvantages include limited opportunity for growth, small in scale, insecure and offering poor returns; and conflict arising between home and work life (Anderson, Harbi and Brahmen, 2013). However, home-based ventures are considered economically insignificant lifestyle or hobby businesses that generate low incomes and are mostly run by women to fit around childcare and household responsibilities. Put differently, such businesses may not be deemed ‘legitimate’ businesses. They may operate below the horizon of policy intervention. And without. research providing evidence substantiating benefits, social and economic, home based business have not been incorporated into development strategies.

Certainly, our review s suggests that it may bebe difficult for Pakistani home-based informal sector entrepreneurs to establish legitimacy and credibility among their various stakeholders. Indeed, Thompson et al. (2009) made a similar argument when using GEM data in a UK context. Interestingly, they found that individuals in the weakest position to start a new business were those that launched a home-based business. Moreover, these individuals experienced many of the disadvantages outlined above and therefore struggled to survive. We now review what is known about legitimacy and its role in entrepreneurship.

**Legitimacy and its role in entrepreneurship**

Legitimacy: concept and theory

Originating in the management literature, the concept of legitimacy is considered foundational for theory dealing with the forces that enable and constrain organizational actors (Suchman 1995). Arguably, transposed to an entrepreneurship context the concept has a similar capacity, anchoring a conceptual understanding of the forces that enable and constrain an enterprise’s actors.

Central to the understanding of any phenomenon is a definition of key concepts as they establish the basis upon which explanation is founded. We draw on the management literature and adapt (noted by brackets) Suchman’s (1995, 574) definition of legitimacy: *a generalized perception or assumption that the actions of an [enterprise] are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*. Indeed, legitimacy is considered a key asset for a SME (Stringfellow et al. 2014) as it is a precondition for procuring resources from the firm’s various stakeholders (Adler and Kwon 2002), especially credibility for customers (Bensemann, Warren and Anderson, 2018),

Within the management literature, there are two traditions underpinning legitimation studies: the institutional tradition and the strategic tradition which, through time, have become increasingly bifurcated. In essence, the institutional tradition focuses on structuration dynamics that exert cultural pressures for compliance that are beyond the control of any one organization, whereas the strategic tradition views organizations as active agents that engage in legitimacy seeking behaviours (Oliver 1991; Suchman 1995). The institutional tradition, in denying agency denies the capacity of organizations to “chart their own course”. In contrast, the strategic tradition denies the influence of external pressures on social actors to comply with regulations, legal pressures or values and expectations of their operating environment (Stringfellow et al. 2014; Aldrich 1999; DiMaggio and Powell 1983; Meyer and Rowan 1977).

Indeed, despite a considerable amount of conceptual and empirical work within both traditions, there have been a number of factors perpetuating a lack of integrative efforts (Suchman 1995). For example, it has been noted (Suchman 1995) that scholars use the term legitimacy without defining it, they deal with a very limited aspect of the phenomenon, and they fail to pay any attention to divergent approaches. Before considering the implications of the chasm for researching legitimacy within the context of entrepreneurship, we set out the main tenets of each “camp”, because these perspectives have shaped our understanding of entrepreneurial legitimacy.

*The institutional perspective*

The 1970s marked an important period - one establishing the underpinning for present-day organizational theory - wherein organizations’ relations with their environment became a focal area of research. Indeed, articles by Meyer and Rowan (1977) and DiMaggio and Powell (1983) are considered seminal in laying the groundwork for new institutional theory, considered one of the most important approaches to emerge from this period (Mizruchi and Fein 1999). Meyer and Rowan (1977) proposed that to survive, organizations endeavoured to convince people that they are legitimate entities, worthy of support. The organizations did this by creating stories about their actions that corresponded to socially prescribed conventions concerning what such an organization should do. These stories did not necessarily correspond to what the organization actually did, but served as a form of symbolic reassurance to appease potentially influential publics (Mizruchi and Fein 1999). Once adopted by the organization’s constituents, the stories became the social definition of the organization itself.

In noting the uncanny structural similarity of organizations in industrialized societies, DiMaggio and Powell (1983) focused on explaining this similarity. Building on Meyer and Rowan’s work, they argued that if organizations are concerned with survival, they are also concerned with their legitimacy. Therefore, organizations adopt particular forms not because they are the most technically appropriate, but rather because the form conforms to socially accepted notions of what is appropriate (Mizzruchi and Fein 1999). Accordingly, structural similarity arose as a consequence of organizations’ pursuit of legitimacy in their environments, upon which they relied for resources. DiMaggio and Powell used the term isomorphism, to describe this process of homogenization. Although acknowledging two types of organizational isomorphism – competitive (involves pressures toward similarity resulting from market competition) and institutional (involves organizational competition for political and institutional legitimacy as well as market position) – their focus was on the institutional type - structural homogeneity between organizations caused by the internalization of external environmental influences.

DiMaggio and Powell proposed three mechanisms through which institutional isomorphism occurs: coercive, mimetic and normative. *Coercive isomorphism* is driven by two forces: informal and formal pressures from other organizations on which a focal organization is dependent and an organization’s pressure to conform to the cultural expectations of the larger society. These pressures may be experienced “as force, as persuasion, or as invitations to join in collusion” (DiMaggio and Powell 1983, p. 150). They viewed *mimetic isomorphism* as a response to uncertainty. In situations in which a clear course of action is unavailable, organizational leaders may decide that the best response is to mimic a peer that they perceive to be legitimate or successful. DiMaggio and Powell (1983 p. 152) viewed professionalization as the source of *normative isomorphism*, involving two processes whereby members of an occupation define the conditions and methods of their work. First, members of professions receive similar education and training, which socializes them into similar worldviews. Second, members of professions interact through professional and trade associations, which further diffuses ideas among them.

DiMaggio and Powell (1983 p 150) note that their typology is analytic whereby the three types are not necessarily empirically distinct. “Yet, while the three types intermingle in empirical settings, they tend to derive from different conditions and may lead to different outcomes.” In other words, each mechanism involves a separate process, but two or more could operate simultaneously and their effects will not always be clearly identifiable. Intriguingly, Mizruchi and Fein’s (1999) literature review of empirical applications of DiMaggio and Powell’s thesis found authors afforded disproportionate attention to only one mechanism - mimetic isomorphism – giving no consideration to the other two mechanisms as plausible accounts of the institutional isomorphism process.

Unequivocally, the institutional tradition’s focus has been on organizational adaptations resulting from (external) institutional pressures including social values, norms and expectations imposed by the external environment without a much consideration given to active agency or external exchange relationships that play a part in driving organisational change (Oliver 1991). In contrast, the other main tradition focuses on strategic (internal) explanations that centre on the role of the activities and practices of agents in managing perceptions to create legitimacy (Oliver 1991; Suchman 1995; Zott and Huy 2007).

*The strategic perspective*

The starting point for the strategic view is the premise that “one of the elements of competition and conflict among social organizations involves the conflict between… systems of belief or points of view” (Pfeffer 1981, p. 9). Accordingly, investigations consider legitimacy an operational resource that organizations “mine” – often competitively - in pursuing their goals. Typically, researchers in this tradition assume the organizational actors possess control over the legitimation process whereby the flexibility of symbols and rituals are utilized in attempt to influence outcomes (e.g. revenues, profit…) that tend to be subject to externally imposed constraints.

Within this tradition, the focus is on the ways in which organizations deliberately orchestrate symbols in attempt to gain societal support (Suchman 1995). Essentially, adherents of this instrumental view see legitimation as a process that is purposive, calculated and often oppositional. According to Suchman (1995, p. 587), legitimacy-building strategies fall into three categories: those that try to *conform* to the expectations of the current environment’s constituents; those that attempt to *select* an environment(s) whose constituents will support current practices; and those that try to *manipulate* environmental structure by creating new constituents and new legitimating beliefs.

*Legitimacy within an entrepreneurial context*

Within the entrepreneurship literature, new firms area focus of legitimacy-oriented research, (see, for example Kuratko et al. 2017), with the adoption of a strategic perspective dominating investigations (Navis and Glynn 2011; Nagy et al. 2012; Smith and Lohrke 2008; Stringfellow et al. 2014; Zimmerman and Zeitz 2002). Expanding upon Suchman’s legitimacy-building strategies, Zimmerman and Zeitz (2002, 423) conceptualized a fourth category – *creation* – which is described as “the creation of the social context—rules, norms, values, beliefs, models, etc.”. This strategy is most visible when new industries are being formed, such as when Amazon began retailing books online.

Studying new firm’s legitimacy strategies invariably involves studying the behaviour of the founders (see, for example, Tornikoski and Newbert 2007; Zott and Huy 2007). Consequently, the unit of analysis, typically, is at the individual level (Casson and Della-Giusta 2007; Stringfellow et al. 2014). Yet there is growing recognition of the need to study both individual behaviour and how the environment enables or constrains that behaviour (Chell 2000).Indeed, DeClercq and Voronov (2009) highlight the value in theorizing about structure and agency separately.. However, to date, few empirical investigations of legitimacy include both external (institutional) and internal (strategic) influences.

, There is an opportunity to address this void both conceptually and practically. Indeed, by drawing on the two conceptualizations outlined above to guide exploriation of both external and internal influences on the legitimation process, more can be learned about their nature, scope and interaction.. Furthermore, insight can also be gained into how legitimacy is acquired by informal home-based businesses, which makes an important contribution to understanding practice. We may be able to clarify why Studies based on each of the main perspectives have had ambiguous findings. with divergent and contradictory accounts (Navis and Glynn 2010).

. Such results are not surprising considering the gulf that exists between the two traditions. While the strategic theorists adopt the view of entrepreneurs as “organizational managers” looking out, institutional theorists adopt the viewpoint of society looking in (Elsbach 1994 in Suchman p 577).

We believe that exploring the external pressures to conform to socially accepted notions of what is appropriate action for these home-based businesses, the role of entrepreneurial agency in the legitimation process – as a strategic practice should offer insight and conceptual purchase on the dynamic.

Rather than speculate as to the independent or interactive nature of external or internal influences on the legitimation process, we proposeinitially using each conceptual lens to guide data analysis, followed by an exploration of any interplay between the influences from each perspective.

**Method**

This section presents the research design and describes how sample selection, data collection and analysis were conducted.

Research Design

Gaining an understanding of how informally operated home-based firms develop legitimacy within their operating environment(s) requires a capacity for research participants to talk about their experiences and what they mean to them (Gartner et al. 1992). Therefore, a qualitative research methodology was deemed appropriate as it facilitates a focus on the isomorphic mechanisms from the institutional perspective; and an exploration of instrumentality from the strategic perspective. Indeed, with legitimacy being “possessed objectively, yet created subjectively” (Suchman 1995, 574) a capacity to explore its social construction is required. Accordingly, interviewing was our data collection method,.. premised on the capability of interviews to provide rich accounts and insights into behaviour, events and situations.

A purposeful sample.of entrepreneurs in KPK, Pakistan (Lincoln & Guba 1985) was identified. Interestingly, these 10 social entrepreneurs started out as home-based, for-profit ventures intent upon achieving financial independence. Indeed, it was this uncanny level of structural similarity that begged the question of how such enterprises gained legitimacy. Therefore, we decided to look more closely at these ventures and the factors influencing their legitimacy. This was done by following Eisenhardt’s (1989, p. 537) recommendation for a theoretical sampling approach that involves between four and 10 extreme cases in which the phenomenon of interest is “transparently observable”. Our initial objective was not legitimacy, but practice more generally. However, their struggle for legitimacy became our focus because it shaped so much of what they did and why they did it.. Under normal

Sampling and Data Collection

Participants in a range of free workshops, seminars and training in Social Entrepreneurship sponsored by IMSciences, Peshewar were invited to share their life stories for a research project aimed at learning more about the issues and challenges facing social entrepreneurs in the KPK region. Most expressed willingness to participate in this research. Interviews too between 90 and 160 minutes andwere recorded and subsequently transcribed verbatim. The interviews were in Urdu and Pashto (KPK native languages). The transcription was done by professional natives (bilingual co-researchers) that could speak and understand both languages proficiently. This helped ensure the transcriptions did not change the meaning of the data, while also preserving the cultural integrity of the data. Moreover, it allowed us to exercise reflexivity throughout the data collection process.

The open-ended semi-structured questions dealt with the key drivers, issues, challenges and barriers the entrepreneurs experienced Participants were encouraged to explain what they considered important and expand and extend on what we had anticipated. . centering the project in Peshawar participants shared a common external environment (context). This shared context was important to our ensuing understanding of legitimacy - a multidimensional concept - whose functionality can be expected to be contextually distinct (Kalden et al, 2018) as well as dependent upon its purpose (Suchman 1995). Indeed, by conducting the research in Pakistan, it addresses the need to extend the social, cultural and spatial contexts (McKeever, 2014) forresearching entrepreneurial legitimacy (Stringfellow et al. 2014).

Table 1 profiles the 10 entrepreneurs – eight females and two males - and their venture. As the table illustrates, the ventures were diverse in focus and age, but all were services. Most founders were either university educated or had some post-secondary education. Only one individual would be considered a “necessity entrepreneur” – who started a business because she had to. To maintain confidentiality and anonymity, the identity of the informants and the businesses are withheld, and pseudonyms are used.

*Table 1 about here*

Data Analysis

The general analytic strategic employed in determining priorities for what to analyze and why was to rely upon the theoretical lenses in achieving our aim of determining and better understanding the legitimation process in a home-based business context.

Starting with no preconceived notions about the influence of externally-based pressures or internally derived strategies, the researchers focused on applying each conceptual lens in analyzing the data (Karatas‐Ozkan et al, 2014). This involved analyzing the role played by the three isomorphic mechanisms. In turn, the actions and interactions of the entrepreneurs were assessed to determine the strategies they employed in seeking legitimacy. Next the researchers went back and forth between the results of both the institutional and strategic analyses to look for contingencies and interplay. Formally, this analytical method is the constant comparative method (Anderson and Jack, 2013) and works well for studying the interplays of practices and purposes (Diochon and Anderson, 2011).

The open nature of the interview questions invited narrative responses providing arich source of data about and evidence for developing an understanding of how legitimacy is conferred, withheld and earned. Direct quotation is used as the main technique in presenting evidence.

**Findings**

To understand how these home-based entrepreneurs gained legitimacy, this section draws upon the participants’ narratives to explore the (institutional) role of the three isomorphic mechanisms that were described earlier. This is followed by an exploration of the (instrumental) role of strategies in the legitimation process.

Entrepreneurial Legitimacy by Decree (Isomorphism): The Institutional Perspective

*Coercive isomorphism*

As explained earlier, coercive isomorphism originates from pressures – formal and informal - exerted on the enterprise by other organizations upon which it depends as well from cultural expectations in the society within which the enterprise functions (DiMaggio and Powell 1983, p. 150). Here, coercive isomorphism was found to be manifest in both these pressures. As the evidence below reveals, it is the pressure to conform to society’s cultural expectations that is deemed to have the most influence.

Of the formal external organizational pressures, the most powerful was that exerted by the Peshawar Development Authority (PDA). In 2015, the PDA established a regulation banning all businesses in residential areas. The “coming out” in response to formal pressure was deemed necessary by the entrepreneurs. Indeed, maintaining the legitimacy these enterprises had established among their customers and other stakeholders very much depends upon being able to operate, as Javeria vividly described:

*Peshawar Development Authority (PDA) sent me notes to shift my business from the residential area to a commercial area within ten days. Otherwise they will seal the [business] and I will be charged with Rs. one million as penalty. I requested the authority to give me at least one month’s time so that I can find a secure place for the female trainees and those working with me… In response to my plea, PDA refused stating that it is a court order and they can’t allow any extension.*

She was not alone. Four others recounted facing a similar ultimatum. In response, all but one chose to comply.

In terms of cultural expectations, all entrepreneurs were deeply impacted. Table 2 presents the various cultural expectations that surfaced during the interviews. In gaining legitimacy in this society, which is so deeply steeped in tradition, entrepreneurs responded in two main ways. The first involved compliance with the various aspects and expectations of the culture. For example, as Badar explains:

*Deciding an appropriate time for them was a challenge in itself because they* (female customers) *were not allowed to leave home too early or too late. It’s not acceptable in this society that a female stays out of home till late timings… So Maisara my co-founder did a lot in this regard. She even went to the homes of those girls who wanted to attend the workshop but did not had permission from family. So Maisara herself went to their homes and was able to convince most of them. We also printed proper invitation letter for them.*

Female-led businesses, too, faced issues in gaining access to their clientele: *in our culture people don’t allow girls to go out of their houses. Especially go to someone else’s home. It’s a conservative society and people also have trust issues regarding their daughters going to a stranger’s home. I then went to their homes and met with their parents individually to convince them by talking to them. I also invited them to my home to see my home and meet my parents to build trust. I wanted them to see that their daughters will be in a safe environment. After this, many parents allowed their daughters to come and get training from me* (Irum).

The other response was strategic in nature - one that openly defied tradition while striving to earn respect through results which they leveraged to gain legitimacy. This will be discussed further in the strategy section.

*Table 2 about here*

*Mimetic isomorphism*

Mimetic isomorphism is driven by uncertainty. When no clear course of action emerges in the face of environmental uncertainty, entrepreneurs often choose to imitate the practices of businesses they deemed successful. Badar, who started an online business, faced a great deal of uncertainty as online businesses were largely unknown entities in Pakistan. He recounts that he modelled his business after three people in the on-line world that he admired because of their businesses’ societal benefit: *They used to provide free trainings, webinars for the students. Those trainings gave Karachi students confidence and a skill. Thus, they were able to start working on their own. So I got this idea from there.*

Technically speaking, with only one instance where this mechanism played a role, it would seem reasonable to conclude that it was not a driver of isomorphism. Yet, interestingly, the evidence suggests there was a notable presence of what we coin *anti-mimetic isomorphism* within the cohort. Essentially, this involved doing the opposite of what others in the field were doing. Indeed, there was no clear course of action, as the vast majority of entrepreneurs were “breaking new ground” by engaging in the entrepreneurial process (i.e. especially the women). In the face of the uncertainty associated with doing so they knew they did not want to operate their business in accordance with current practice. However, as reflected in the comments below, they decided that the best response was to take action that was counter to what characterized current practice:

*[A] problem with them (traditional professional tutors) is that they ask for the first day charge full fee (sic). Like these big shot Doctors etc. first few chapter they teach properly. Then later on they just get through the rest of the course so we can get this over with and start a new session to get more fees. In the start, they tutor well but later they know that we have already collated full fees so they don’t put in so much effort. … in education, there should be no compromises. It is a big disservice that they do to the students. I mean if you are being dishonest with your work in education of children then you are also doing disservice to your nation as well* (Najib); *there is no funny business and we provide quality education* (Pakeeza); *I decided to create an example of myself that single mothers of the society could reflect upon* (Ghazala); *In the beauty salons, they don’t care too much about henna application and are more concerned about getting their clients work done fast and getting the payment from them. I give my clients much better personal service and what type of design you want etc. So, when they leave they are very satisfied (*Irum)

Essentially, in confronting uncertainty, the sector peers who achieved “success” through corruption served to highlight what behaviour these entrepreneurs should refrain from engaging in. Accordingly, these entrepreneurs ensured their actions were moral and trustworthy, thereby demonstrating the influence of anti-mimetic isomorphism. The females in the cohort also faced another form of uncertainty - a lack of female sector peers due to the absence of women in business. Consequently, there were no successful role models. In the absence of sector peers, businesses led by single females mounted a strategic response, which will be explained in due course.

*Normative Isomorphism*

The third mechanism of isomorphism is normative and derives largely from professionalization. While women are under-represented as entrepreneurs in Pakistani society, they are in the majority in this investigation’s cohort of home-based businesses. In one sense they are “pioneers”, whereby there would not be opportunities to be socialized into similar worldviews through their entrepreneurial “profession” by virtue of the fact they are women. Considering that culture significantly restricts women’s freedom of association, the lack of evidence of normative isomorphism within the narratives was not surprising.

Entrepreneurial Legitimacy by Design: The Strategic Perspective

The legitimacy-building strategies outlined by Suchman (1995) and expanded upon by Zimmerman and Zeitz (2002) include: *conforming* to the rules of the cultural order; *selecting* an environment(s) whose constituents will support current practices; *manipulating* the current environment by attempting to make changes that would achieve consistency between an organization and its environment (i.e. getting rules and regulations changed so that the business could legitimately engage in an activity that was previously disallowed). In other words, interventions that would support the specific needs of the venture; and *creating* a new social context by creating new rules, norms, values, scripts beliefs, models….

The evidence indicates that the strategy adopted by most members of the cohort involved conforming to the standards established within their current environment. In particular, it was dominant among the married women and the males. For example, Pakeeza waited until her children grew up before going back to school and launching a venture. Javeria’s account was uncannily similar: *So I decided to work mostly at night time so that my family would not suffer. The business gradually started reaping profits which I used to reinvest. Within a year’s time I was able to employ staff and established four embroidery centers in the surrounding areas.* For Umaira, whose husband was not supportive of her business, she fulfilled her household responsibilities prior to attending to her business. Tahira’s story is much the same.

Both males took deliberate action to ensure the cultural norms and expectations regarding women were accommodated in the start-up and operation of their business. For Badar this meant having a female cofounder who would handle all the dealings with females, while Najib dealt directly with the parents of the females as his business provided tutoring in the student’s home.

While no one was attempting to enter other environments (*selecting)* or *creating* a new social context , evidence suggests that two of the single female entrepreneurs were pursuing a manipulation strategy whereby they were attempting to influence the environmental structure to create new audiences and new legitimating beliefs. In doing so they used the business as a vehicle for rejecting societal norms and advancing the rights of women. Rabina, along with her mother, were intent on societal change for women: *the first few challenges were revealing and would set the course for women liberation and development in KPK.* As Rabira reflects on her mother’s perspective in the start-up of her business: “…*if women in KPK were ever to come to the forefront of public life in a rapidly developing world then their self-image and self-esteem had to be restored. And she found no better way to achieve that, than starting a beauty salon in Peshawar City. The business began to flourish as young students from Peshawar University would take time out of family affairs to enhance their personal appearances: a behavior that was starting to find an audience amongst the young and educated women of KPK, who were using Rabina’s as a platform to reject the norms of Pashtun society especially when it came to personal appearances.* This involved things like removal of body hair. Initially her mother hired Christian women to work in the business which, in effect, served to circumvent strict Muslim rules that women had to abide by. In a community that was 99% Muslim, the founder saw the business as an opportunity for the two communities to interact through her work.

Ghazala’s efforts at start-up to gain legitimacy were similarly attuned: *Running a gym in a Pukhtun society is a struggle in itself. Women wanted to join the gym but could not share their apprehensions that their husbands are not allowing them because they feel it’s not safe and there will be cameras in the changing rooms recording which can result in serious consequences according to the norms of Pukhtun society. It was quite difficult for me to gain customers trust but I earned it eventually. With time my customers increased in number and business started generating profits. I reinvested those profits and started a stitching centre in the same area. My friends helped me in the promotion of the stitching centre and soon I started arranging exhibitions. By the year 2015, I had enough money to buy shares at my aunt’s renowned salon in Peshawar. Now I had several income sources and I could afford anything I and my daughter wished for.*

Ghazala did not have the support of her family in the beginning, as her parents feared what people would say about their divorced daughter starting a business. As Ghazala explains: *Soon I was representing women struggles on television. My family was not in favor of media appearances and always discouraged me as it’s not socially acceptable in Pukhtun culture. Despite my family’s disapproval I continued my media appearances because this way I could speak on the behalf of all the women of Pakistani society…* *I am continuously fighting for women rights…I always wanted to create an example for single mothers, divorcees and this seemed like a great opportunity to me...*

Over time, Ghazala’s parents became proud of her many accomplishments and are now very supportive. Others described similar experiences, whereby family support (and pride) became forthcoming once the entrepreneur became successful.

While those choosing to defy prevailing tradition and culture in the operation of their business spoke of a tremendously slow process of earning trust and thus gaining legitimacy, others, too, struggled to earn trust. As Najib recounts: *Even though someone would have recommended me they would still complain that you have sent me a kid!* *They would (look at me) and say you can’t teach them you are too young yourself (a student). What I did was tell them that I will give you money back guarantee. If I could not teach them I will give you my fees back. Seeing such confidence in my abilities they would get satisfied with this answer.*

Eight of the 10 entrepreneurs started their business to gain financial independence, while one began as a hobby (and became a business six years later); and one was started as a sideline for her passion for cooking. Intriguingly, despite the varying ages and sectors of these businesses, the common start-up aim of gaining financial independence for themselves eventually became displaced by another common aim as Badar explains, *…* *for a long time I have had this vision to become something, or do something that my society will remember for a long time. So when I started online work I realized that I am quite good at it. This command over my work gave me the confidence to share it with my society; I wanted to help youngsters as myself to become financially independent so that they will gain more confidence and they will be able to believe in themselves*. Indeed, upon achieving financial independence, these entrepreneurs invariably turned their attention to enabling others to have the opportunity to achieve financial independence. In pursuing this new aim, all 10 of these entrepreneurs became engaged in social enterprise[[3]](#footnote-3); *I gave training in preserved food and healthy foods along with the marketing strategies. These trainings are free of cost (Umaira)* *Hence I decided to help the local women by providing relevant skills to become independent and earn on their own and I knew I could help in changing women image in the KP society* (Javeria). *I started training poor orphan girls in the area with the training of beautician. Whatever knowledge and skill I had acquired I tried my best to pass it on. I felt that it was my duty to do so. I could feel the situation of their lives and I wanted to help… Thanks to almighty the girls that I have trained some of them now can support themselves financially* (Tabassum).

For the married women who restructured as a social enterprise, continuing to fulfil society’s expectations of them was still a priority, as Tahira explains: *As social entrepreneur, I focused on wellbeing of woman artisans with market competitive skills and ability to create a difference without violating cultural norms and traditions of Pukhtoon society.*

**Discussion**

In successfully starting and sustaining a venture, it is reasonable to infer that legitimacy has been achieved, with the rationale being that there is a direct relationship between resource acquisition and legitimacy (Stringfellow et al. 2014; Zimmerman and Zeitz 2002). Accordingly, it seems reasonable to conclude that these entrepreneurs developed legitimacy with their stakeholders that enabled them to obtain the resources , especially customers, required for their ventures to thrive.

Somewhat contrary to the findings emerging from work in the institutional tradition, evidence has shown that the influence of one of the two institutional isomorphic mechanisms found to be exerting pressure in this context – *anti-mimetic* – was unexpected. Instead of following the corrupt business practices that were the norm, these entrepreneurs collectively responded in opposition. Arguably, this adds a dimension of agency to a rather isomorphic process.

While the evidence attests to the ways in which institutional pressures can influence how entrepreneurs start and operate their ventures, it also indicates that the understanding and assessment of the venture by key stakeholders (largely customers, family and society more broadly) have been influenced by very deliberate actions taken by the individual entrepreneurs. Indeed, as profiled in the findings, Pakeeza undertook a very purposive and deliberate strategy of waiting for her children to grow up before launching a venture. In terms of operations, others had described what it took for them to earn credibility within their family. Clearly, legitimacy and institutionalization are not tantamount.

Intriguingly, in describing their current involvement in social enterprise activities, we can see how the entrepreneurs’ stories about their actions are very much in keeping with the more socially accepted practices and customs. We saw how they cleverly used their limited resources and social status to work around gaining sufficient and appropriate legitimacy to operate. However, the evidence suggests that the narratives have served to reassure key stakeholders and garner their support. In this respect, the repositioning and, in effect, restructuring as a social enterprise created a second level of isomorphism (with the initial level being the home-based informal for-profit ventures).

With all these entrepreneurs eventually becoming engaged in social entrepreneurship, it suggests that the legitimacy they had gained could be leveraged to acquire the more intangible resources many of these individuals sought to achieve – respect and recognition. With no evidence to the contrary, it would seem reasonable to assume that social enterprise activities are highly regarded by society and provide opportunities for these individuals to establish a positive and, perhaps more importantly, a public profile. No longer are their ventures hidden or illegal. Moreover, because social entrepreneurship is focused on achieving a social purpose with no financial gain for the entrepreneurs involved here, it means that such efforts do not result in exorbitant taxation.

**Conclusions**

In investigating how informal home-based businesses gained legitimacy, the role of structure and agency were independently explored. With businesses of different ages included in the cohort, we have gained insight into how other enterprises concern themselves with legitimacy. Indeed, the financial independence these founders achieved attests to their ability to gain legitimacy among their customers. Yet customers were not the only stakeholder group with whom legitimacy was sought.

Within this cohort, four main stakeholders were identified – customers, family, government and the community/society. It was the achievement of financial success that marked the establishment of legitimacy within the family. However, it was the cohort’s social enterprise efforts that enabled them to broaden and deepen their legitimacy. Indeed, the public nature of these efforts served to garner legitimacy with more stakeholders - namely, the community/society and government. These non-profit activities were now being perceived to be helping others and contributing to the greater society. This resulted in a broadening of the base upon which these entrepreneurs could draw on for resources. Fundamentally, by considering the legitimation process from its inception, this investigation has provided insight into the mutually reinforcing nature of the relationship between legitimacy and continuity.

In utilizing each theoretical lens independently, some key insights were gained, particularly with respect to institutional pressures, which, generally, have been under-emphasized in entrepreneurship research. Notably, the uncovering of anti-mimetic isomorphism makes an important contribution to the institutional approach, as such influence had not been previously identified in the literature. More research would be beneficial in determining whether this mechanism plays a similar role in other contexts where corruption and quality are identified as issues within prevailing practices. Clearly, coercive and anti-mimetic mechanisms had the most influence within this cohort. Yet, the evidence has shown that the mechanisms are not necessarily empirically distinct. For example, coercive (accommodating the expectations concerning women) and anti-mimetic pressures (modelling the business contrary to the prevailing practices of corruption and deceit) were clearly separate processes but operated simultaneously.

While we have demonstrated the value of addressing the influence of institutional pressures when conducting legitimacy focused entrepreneurship research, we have also highlighted the interplay between institutional and instrumental influences on legitimacy. These influences are not mutually exclusive. Using multiple lenses made it possible to uncover this interplay.

This research has implications for policy and practice. Contrary to GEM’s report that Pakistani males are more favourably disposed towards entrepreneurship than females, the females within our cohort spoke very positively about their entrepreneurial experience. This suggests that females may be under-represented in survey research or perhaps insufficient attention was paid to the specific female experiemce. Consequently, the opportunities that home-based business activity afford to women whose movement and activities are constrained may not be fully recognized. Indeed, it is important to note that the women in this cohort had started their home-based business prior to the 2015 PDA legislation prohibiting businesses to be operated in a residential area. Most that were “discovered” were able to afford premises elsewhere.

Considering the abysmal track record of government in supporting entrepreneurship in Pakistan and the lack of assistance provided to any members of this cohort, the findings from this investigation suggest that immediate changes are warranted if government is to be perceived as supportive of the small business sector. As it stands now, forcing home-based businesses to either cease operations or relocate and having government officials demanding bribes does little to instil confidence that things will change. For any females contemplating starting a business, the current legislation will serve to discourage start-ups as, among other things, it would be extremely difficult for them to obtain the resources needed to secure premises outside their home. Moreover, married women - who feel compelled to fulfil household and childcare responsibilities as their main priority - would have few remaining hours in a day to earn income that would cover the expense of stand-alone business premises. If government is sincere about providing support and encouragement for entrepreneurship, the special needs of women who are legally prohibited from engaging in business activity that involves work occurring in the home need to be accommodated.

It would also be beneficial for government to consider reducing taxes for start-ups, so they have an opportunity to establish themselves, gain legitimacy and eventually contribute more significantly to the formal economy. Indeed, most bigger businesses start small, which governments need to acknowledge.

Although all these ventures began as home-based businesses, many transitioned from the home to other locations – some by choice others involuntarily. Unlike other home-based businesses reported on in the literature, most members of this cohort were opportunity driven. Those that remained in the home undiscovered were obliged to operate in secret or risk fines, bribes or unreasonably high levels of taxes. This meant that they could not partake in marketing activities (i.e. advertising) that would support the growth of their venture for fear of being found out by government authorities. Such was the case for the two males in the cohort, whose home-based business involved using the home as the business’s administrative base. Over time, only two of the female-founded businesses were still operating their business out of their residence (a beauty salon and the meals to go).

Generally, the struggles all members of the cohort experienced in their efforts to gain legitimacy were precipitated more by societal/cultural norms that were not positively attuned to entrepreneurship than by the home-based nature of their business. While government initiatives may be forcing small ventures out of hiding, the cultural and social norms of pursuing certain careers or traditional roles (for women) are still firmly entrenched. For women, starting a business outside the home presents a huge challenge.

No research is without limitations and ours is no exception. This was a cross-sectional exploratory study, which only involved interviews with the founder. Future research would benefit from gaining the perspective of other key constituents such as customers and family members. Additionally, if the legitimation process was studied over time, it would avoid being open to hindsight bias. Indeed, it would be beneficial to study how legitimacy is acquired by informal home-based businesses in other contexts where corruption is an issue. In doing so, a comparative analysis could be conducted.

In spite of its limitations, this research has contributed to the literature by considering and drawing upon both theoretical perspectives, which has broadened the aspects of legitimacy empirically investigated. The research findings highlighted the interplay between external pressures and agency, added a new dimension to DiMaggio and Powell’s typology and demonstrated the value in using the typology in an entrepreneurial context. Moreover, it contributed to the entrepreneurship literature by shedding light on legitimacy among home-based businesses, a sector noted to be under-researched. From a practical perspective, it builds awareness among entrepreneurs that gaining legitimacy can be a time-consuming and dynamic process that is impacted both by their operating context and their own actions.

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**Table 1 Profile of Home-based Entrepreneurs and their Business**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Name | Type of Business | Year Formed | Location of business | Education | Marital Status | Gender | Motivation for starting | Motivation for changing structure |
| Badar | Online freelancing | 2014 | Home-based | Currently enrolled in BBA program | Single | Male | Gain financial independence | Enable others to achieve financial independence |
| Umaira | Online – healthy and diet foods home delivery program | 2015 | Home-based | MSc (Hons) Agriculture | Married | Female | She was “outsized” due to a merger between government departments |  |
| Pakeeza | School | n.d. | Started from her residence | Masters in Economics | Married |  | Financial independence | n/a |
| Najib | One on one tutoring (in student’s home) | 2016 | Residence | Currently in year 3 of BS in chemistry; and a second BA | Single | Male | Financial independence |  |
| Ghazala | Ladies gym | 2014 | Separate structure | Bachelor’s degree in economics and law | Single | Female | Financial independence | Helping women fight for their rights |
| Javeria | Provides vocational skill development training for women of KPK | 2002 | Started a small boutique in home 1991; now Registered | Masters & B Ed | Married | Female | Financial independence | Help local women become financially independent |
| Tahira | Capacity building for impoverished women artisans/she acts as business broker /home-based workers/vendors | 2009 | Started business as hobby–creating new designs–leather, embroidery & clothing; artificial jewelry | No information provided | Married | Female | Financial independence |  |
| Tabassum | Beauty salon | 2011 | In her home | Beautician training course | Single | Female | Financial independence | Help others achieve financial independence |
| Irum | Henna application | n.d. | In her home | No formal training | Single |  | Started as hobby (5-6 yrs) before turning it into a business |  |
| Rabira | Beauty salon | 2000 but Rabira started in 2014 | In home | training with HudaBeauty (U.AE), Loreal and Natasha (Karachi) in make-up application, hairstyling, and business skills development. | Single |  |  | developing the self-esteem of women in KPK through beauty enhancement practices |

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1. In Pakistan, a business is considered unregistered if it is not registered with the tax authorities for tax purposes (Williams et al. 2016). [↑](#footnote-ref-1)
2. Entrepreneurship is defined as the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence (Qureshi and Mian 2012). [↑](#footnote-ref-2)
3. Here a process definition of social enterprise is used, whereby it involves identifying an opportunity to improve social well-being, then acquiring and employing the resources required to do so (Diochon and Anderson 2009) It should be noted that the terms “social enterprise” and “social entrepreneurship” are used interchangeably. [↑](#footnote-ref-3)