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# Competitive advantage as a legitimacy-creating process

Gina Grandy, *Department of Commerce, Faculty of Social Sciences, Mount Allison University, Sackville, Canada*  
David Wicks, *Department of Management, Sobey School of Business, Saint Mary's University, Halifax, Canada*

## Abstract

**Purpose** – The purpose of this paper is to explore how small firms in the tattooing industry actively shape institutional expectations of value for consumers in a changing industry.

**Design/methodology/approach** – The paper draws upon interviews with key actors in the firms under study to explore their experiences with consumers and other constituents in determining how competitive advantage is constructed in this environment. These data are complemented data with interviews with governmental representatives and material from secondary sources.

**Findings** – The results reveal efforts of firms to construct and increase organizational legitimacy through the prominence of discourses of professionalism based on artistry and medicine/public health. These bases of competitive differentiation are not the clear result of exogenous pressure, rather they arise through the active efforts of the firm to construct value guidelines for consumers and other constituents.

**Practical implications** – Strategic management in small firms is a complex and dynamic process that does not necessarily mirror that of large organizations. Constructing competitive advantage is an interacting process between key actors of small firms and various constituents.

**Originality/value** – The paper extends the application of institutional theory in strategic management by illuminating the active role that firms play in creating industry norms, especially in industries where norms are not well established or no longer entrenched. Moreover, exploring an alternative site of study offers a means through which to see well-studied issues in new ways.

**Keyword(s):** Competitive advantage; Organizational theory; Small enterprises; Management strategy; Canada.

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## Introduction

The discipline of strategic management is primarily concerned with determinants of firm performance. There are a variety of perspectives offered to explain a firm's ability to achieve above-average levels of economic rent (e.g. industry structure, resource-based view, population ecology). Adner and Zemsky (2006) argue for a shift in thinking so that we move from a focus upon value capture, whether that is through unique resources or industry positioning, to a focus upon the challenge of value creation for consumers. In this paper, we examine organizations operating in a changing industry, that is, tattooing firms in Canada, where “value” expectations are not well established or clearly defined by consumers, competitors or regulators. We draw upon institutional theory to explain how in this changing environment firms attempt to actively shape institutional expectations of behaviour, in effect constructing value creation guidelines for consumers.

Rouleau's (2005) recent work has drawn attention to the interface between organizational actors and the external environment in which the organization operates. She employs a sensemaking lens to understand how middle managers interpret and “sell” strategic change at the organizational

interface. Similarly, institutional theory draws attention to the social context in which strategy happens. Institutional theory highlights the desire for social acceptability and the subsequent conformity with rules and norms of the institutional environment as prime determinants of firm behaviour (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). The contribution of institutional theory to strategic management is therefore to relate the social context in which resource allocations take place to a firm's ability to create and sustain competitive advantage (Oliver, 1997).

In this paper, we present a case study of Canadian tattooing firms by iteratively moving between extant literature, secondary information on the tattooing industry and primary material collected from firms and government representatives. We draw upon institutional theory in our analysis and explain how these small firms contribute to shaping the institutional environment of the industry in which they operate. Rather than examining firms' conformity to institutionalized standards, we show how firms are actively attempting to create notions of value and construct expectations and norms about what value should be like in the industry.

The results of our study reveal efforts to create and increase organizational legitimacy through the prominence of discourses of professionalism based on artistry and medicine/public health. These bases of competitive differentiation are not the clear result of exogenous pressure, rather they arise through interactions between firms and constituents whereby firms are actively constructing expectations about "good" tattooing. In looking at how strategic development is undertaken by these small firms we make unique contributions in the area of competitive advantage, strategic management and organization studies more broadly. First, we extend the application of institutional theory in strategic management by illuminating the active role that firms play in creating industry norms, especially in industries where norms are not well established or no longer entrenched. This shifts us from a focus upon legitimacy seeking behaviour through conformity to norms to a focus upon creating legitimacy through constructing institutional norms. Second, it has been argued that research and pedagogy of strategic management have a "big company bias", whereby assumptions are made about the transferability of strategic management in large organizations to small organizations (Beaver and Prince, 2004; Jennings and Beaver, 1997; MacFarlane and Perkins, 1999). This does not adequately address the increasing importance and uniqueness of smaller organizations. Coupled with this, the external environment in which many small businesses operate is fraught with greater uncertainty than larger organizations (Beaver and Prince, 2004). This illuminates the need for strategic management to more fully address the nature of competition, firm agency and competitive advantage in these understudied sites. The Canadian tattooing sector, comprised mainly of small firms, then becomes an ideal "alternative site" of study to illuminate new ways of seeing old issues (Parker, 2002). Finally, tattooing is a growing industry that is becoming more and more mainstream (Kjeldgaard and Bengtsson, 2005; Velliquette et al., 1998). To date, however, most of the extant literature concentrates upon the consumers of tattoos, for example, the consequences and risks of acquiring tattoos, motivations for acquiring tattoos, decisions about the type and body placement of tattoos, reflections upon the experience of acquiring tattoos, and identity and tattoos (Frederick and Bradley, 2000; Grief et al., 1999; Kjeldgaard and Bengtsson, 2005; Mayers et al., 2002; Velliquette et al., 1998; Watson, 1998). Presently, we know very little about this growing and changing industry regarding the regulatory and competitive environments, consumer value, ownership and structure, and firm resources and strategy. Not only does our research offer an opportunity to see old issues (i.e. competitive advantage) in new ways, but it also presents findings on a relatively unexplored industry and thus extends our understanding of organizational sites in general.

### **Small firms and competitive advantage**

Small- and medium-sized enterprises (SMEs), however defined, make a significant contribution to private sector employment all over the world (OECD, 2005). Despite the plethora of research that delves into the operations and entrepreneurial activities of SMEs, the dominant theories and frameworks for understanding firm behaviour have a large organization bias (Beaver and Prince, 2004; Macfarlane and Perkins, 1999). Jones (2003, p. 15) contends that many “large firm concepts” are indeed transferable to smaller firms, however, “the nature of strategic management or supply chain management will be very different in SMEs than in large, well-resourced companies”. Structural considerations, boards of directors, and the presence/absence of shareholders other than the owner-manager mean that most SMEs are not driven by the same profit agendas as larger firms (Fletcher, 2000; Jones, 2003). There is still much to be uncovered about the nature of strategy development and competitive advantage in smaller firms (Jones, 2003).

Similar to Jennings and Beaver's (1997) and Beaver and Prince's (2004) work we see the construction of competitive advantage in small firms as different to that of large organizations. Competitive advantage for small firms is more likely to be about survival than growth (Beaver and Prince, 2004). Jones (2003) suggests that rather than profit or market share as measures of competitive advantage, competitive advantage for small firms should focus upon “added value” in processes or innovation and supplying better value for customers. This line of thought aligns well with the demand-based perspective on sustainable competitive advantage as advocated by Adner and Zemsky (2006). Adner and Zemsky (2006) do not focus upon small organizations *per se*, however, they do draw attention the drivers of value creation for consumers and a firm's ability to sustain added value. They highlight the importance of quality to the market and categorize four types of resources in value creation, namely process resources (resources that can lower a firm's production costs), product resources (resources that can increase the performance of a firm), timing resources (resources that offer value through being first or early to market) and innovation resources (resources that offer a technology trajectory). Adner and Zemsky (2006) call for more research that focuses upon firm actions that shape value creation in the development of competitive advantage.

In defining competitive advantage for this paper, we draw upon several streams of thought. We interpret competitive advantage as deriving from the development and deployment of resources that create value for consumers. For SMEs, competitive advantage may not necessarily result in above average returns. Instead, survival is more likely to be the result. Moreover, we see the perceptions and experiences of key actors involved in the day-to-day operations of a small firm as integral to understanding the development of strategy and competitive advantage, whether that is of an emergent or deliberate nature. As such, in this study we look to key actors, as representatives of the firms under study, to explore their experiences with customers and other constituents in determining how competitive advantage is constructed in this environment.

### **The institutionalization of competitive advantage**

Institutional theory has been particularly helpful in clarifying the processes that create rule-like conditions that create pressures for conformity. Early institutional research focused on the way institutional rules were formed and the taken-for-granted character of thought and action that resulted (Berger and Luckmann, 1967; Selznick, 1949). In the 1980s institutionalization studies attempt to show the diffusion of practices across an institutional field (Galaskiewicz, 1985; Tolbert and Zucker, 1983; Zucker, 1987), resulting in isomorphism that enhances legitimacy, facilitates resource acquisition and thus enhances organizational effectiveness and survival (Baum and Oliver, 1991; DiMaggio and Powell, 1983). More recently, researchers have begun to integrate institutional theory with the resource-based view of the firm to explain the how of strategy development (Bansal, 2005; Lounsbury and Glynn, 2001; Oliver, 1997). Oliver (1997) draws attention to the role of institutional processes in the formation of competitive advantage. She integrates institutional and

resource-based views in understanding competitive advantage to show how social and cultural norms surrounding an organization are important predictors of success. From an institutional perspective, organizations strive for a perception of appropriateness or acceptability in the eyes of powerful institutions. As a result, firms are partially constrained by nature of their approval-seeking needs, as well as by their own internalized rules and habits that have in the past been successful. Lounsbury and Glynn (2001) build upon Oliver's (1997) integrated approach in their research on entrepreneurs and entrepreneurial firms, drawing attention to the role of storytelling as a means to establish organizational identity and acquire legitimacy.

Institutional theory has, however, been criticized for its disregard of the role of self-interest, agency and micro practices of strategy in favour of highly deterministic forces embedded in institutional relations (Dillard et al., 2004; DiMaggio, 1988; Johnson et al., 2003). Moreover, little attention has been devoted to “the processes whereby institutional practices are established, transposed and decomposed” (Dillard et al., 2004, p. 507). Barley and Tolbert (1997) begin to address this through their research into the duality of structure, much in the same way Giddens' (1984) theory of structuration pointed to the inherent mutually constitutive nature of structure – any formative pressure both arises from, and is shaped by, social action. In a similar way, Dillard et al. (2004, p. 506) fuse institutional theory, structuration theory and Weber's work on social context to develop a framework depicting the “context and processes associated with creating, adopting and discarding institutional practices”. Oliver (1997) also suggests that we need research that focuses not only on the attributes of firm resources, but also how resources are developed, managed and diffused. In some respects, we take our lead from Barley and Tolbert (1997), Dillard et al. (2004), Lounsbury and Glynn (2001) and Oliver (1997) and look to the how of strategy and competitive advantage through an institutional lens. We draw upon institutional theory to explain the processes through which firms attempt to actively construct institutional norms in an environment where industry standards about value are changing or are not well established, embedded or understood by consumers.

In addition to taking into account the resource and institutional aspects, we also consider the demand side of competitive advantage (Adner and Zemsky, 2006). We are interested in explaining how firms create value for customers in an industry where quality is not well defined or understood by consumers. Moreover, we see firms' interactions with other constituents (e.g. government, professional associations and competitors) as important considerations in understanding how competitive advantage develops and how firms actively shape the institutional environment in which they operate.

## **Research approach**

This research uses a case study to examine a single industry with the intention of learning from its uniqueness (Stake, 1994). At the same time, we use this case study to build theory by understanding the dynamics present within single settings and drawing implications for transferability across settings. This case study is both intrinsic and instrumental in nature (Stake, 1994). It is “intrinsic” by virtue of our interest in the business tattooing and body art, the extent to which business practices are changing as tattooing is becoming a more mainstream consumer product, and the rather novel empirical research site it represents. It is “instrumental” because it provides us with insight into the strategic development process of SMEs. In performing this case analysis, we therefore looked for what was common and what was unique about the case through an inductive approach (Eisenhardt, 1989).

Ten tattooing establishments participated in this study, chosen based on convenience and their different competitive positioning. The firms were located in different parts of the country, experienced different amounts of rivalry, provided different product offerings, operated at different

price points, and employed tattooists following different career paths. The sample was comprised of typical firms in this industry, that is, small businesses with less than ten employees. Participants were directly involved in the strategic decision making of the firm. As a result, we perceive them to be knowledgeable about the operations and strategies of their organization. See [Table I](#) for a description of key actors and firm attributes. Interviews with tattooists were supplemented by interviews with eight government representatives from five different departments regulating or overseeing tattooing establishments. This helped to generate a deeper understanding of the industry trends, legislation and influence of constituents on the firm.

Our study began as an exploration into the nature of firm strategy and competitive advantage. We employed qualitative methods in order to detect unanticipated and novel patterns, as well as to surface thick descriptions of the experiences of firm representatives ([Glaser and Strauss, 1965](#); [McCracken, 1988](#); [Miles and Huberman, 1994](#); [Silverman, 2000](#)). We employed the tenets of the long interview ([McCracken, 1988](#)) in designing the semi-structured interview guide, as well as in the analysis of the data. The long interview facilitated our ability to benefit from the richness of an ethnographic experience, unobtrusively in a situation where total immersion was difficult. The interviews with tattooists were conducted face-to-face, while interviews with government representatives were conducted by telephone. Interviews with tattooists ranged from 25 to 60 minutes. The context in which most of the interviews with the tattooists occurred (e.g. while tattooing a client, between tattoos, while being tattooed) meant we were not always able to maintain the attention of the artist for extended periods of time. As advocated by [McCracken \(1988\)](#), we used the time available to us to explore as much as possible given these constraints. Archival data from tattooing associations, as well as legislation and guidelines governing tattooing and piercing establishments were used to supplement the primary textual data. Whenever possible interviews were taped and subsequently transcribed verbatim. In cases where taping was not possible, detailed field notes were taken within thirty minutes upon completing the interview.

A semi-structured interview guide was used in the interviews. “Grand tour” questions were used to conduct interviews in a non-directive manner ([Spradley, 1979](#)). These were: “Tell me how you became a tattoo artist? Tell me how you started in this business? Tell me about the history of this organization?” Contrast prompts were also used when firm representatives described a particular experience in order to better understand the individual thought processes and to facilitate comparisons, for example; “Can you think of another firm that did this differently to your firm? Why? How?”

Consistent with the techniques of the long interview ([McCracken, 1988](#)) and grounded theory ([Glaser and Strauss, 1965](#)), this study is best characterized as an on-going process of discovery ([Mason, 2002](#)). Two initial interviews were conducted in an attempt to identify issues that might prove fruitful for further investigation. In the remaining interviews the same semi-structured guide used in the first two was employed, however, an additional literature review was conducted to include a broader range of theoretical perspectives on strategic development and competitive advantage. Each interview transcript and set of field notes was first examined individually. Specific utterances used by a participant were organized prior to drawing any conclusions about relationships between concepts in each text or between texts (See [Table II](#) for sample of initial analysis of interview content). After each text was analyzed individually, comparisons between respondents were made and themes began to emerge. This was done using a comparative method that continuously compared new data as it was collected with preliminary findings, as well as comparing each respondent's accounts to those already analyzed. We also engaged in a process of back and forth movement between the material we collected and the extant literature to explain the themes that were emerging. “Concept cards” ([Glaser and Strauss, 1965](#)) were used to organize the data and the concepts generated include socialization processes, product positioning, competition,

customers, regulation, artistry, medicine/public health, and professionalism (see [Table III](#) for sample concept card). By moving between data, interpretation and existing literature we were able accomplish “explanation building” (Yin, 2003) whereby the findings we present in the remainder of this paper represented the best possible fit with the data.

### **The absence of clearly defined institutional norms**

The tattooing industry in Canada, and likely in many other parts of the world, is increasingly becoming more mainstream and thus growing rapidly. Participants' accounts reveal a changing climate whereby regulatory requirements are limited, many consumers are unaware of what constitutes quality in this context, and rivalry among competitors is becoming more intense. The ambiguity enveloping what value looks like in this industry offers firms an opportunity to shape the institutional environment in which they operate and thus actively construct value guidelines for various constituents.

#### **Consumers**

All participants indicated a growing customer base in the tattooing industry. Tattooist Arthur noted that tattooing has transformed into an:

[...] art form: It's becoming more and more of an art form now than it was; it used to be very taboo because it was all criminals and sailors and whatever [...] gave it a bad name.

Tattooists Felix and Glenn also argued that changing societal values may be impacting the increase in popularity of tattoos. As Felix put it:

I think publicly displaying your tattoos now a days is becoming more socially acceptable. So it's not just bikers and stuff, even though that's the kind of stereotype that people have.

Justin, who works as an inspector with Public Health in Ontario, also supported this view. He indicated that the substantial growth of a mainstream consumer market for tattoos is changing the nature of the industry in regards to firm positioning, technology adoption, and to some extent regulation.

Based upon the discussions offered by these individuals, tattooing and other forms of body art are becoming more mainstream elements of aesthetics and fashion. As a result, firm behaviours are increasingly subject to market pressures based upon consumer needs and wants, as well as an increase in the number of tattooing establishments attempting to satisfy these needs and wants. At the same time, as tattooing and body art attract new customers these consumers are likely to be less knowledgeable about the technical aspects of the work and what value or quality means in this context. For example, it seems these consumers are not exerting pressure on tattooists for strict health standards. When asked about the cleanliness of tattoo establishments, tattooists all stated how important hygiene is, but at the same time they recognized that tattooing is relatively safe. So while a tattoo parlour can boast about its record of safety and its procedures to prevent infection and disease, no establishment can legitimately claim a better record than any other. Regardless how small the risk is to clients ([Grief et al., 1999](#); [Mayers et al., 2002](#)) or how virtually all tattooing establishments in Canada follow safe procedures, discourses of hygiene remain dominant in the process of service delivery and in the follow-up care prescribed by tattooists. Tattooist Steve compared the attention to hygiene to that required in hospitals:

Basically it is cleanliness, it's a sterile procedure. If you are going to do anything that has to do with poking people with needles you got to know how to be sterile because my job can cost me my life. Everything we use is sterile, everything is brand new and when we are done, we throw it all away [...] the same way they do it at the hospital.

Interestingly, both Glenn and Mike, two other tattooists, noted that customers do not usually ask about sterilization or the incidence of infection, "they say I just assume you're clean" (Glenn). Tattooists are therefore trying to make hygiene and public health salient in the minds of consumers, and are doing so in a way that suggests differences between firms.

Some firms also exert great efforts to create value for consumers based upon artistry and unique design. Sue, a tattooist, indicated firm success comes from providing individualized unique designs for their customers, rather than using pre-drawn patterns or reusing designs created for previous clients. In tattooing jargon this is referred to as "custom art" versus "flash". Tattooists consider flash the "bread and butter" of the industry because the easily reproduced designs tend to cost proportionately less for consumers, thus appealing to a larger market segment. Although custom studios do not explicitly frown upon flash, by supplying tattooists with simple, easily transferable, mass-produced designs "from which a client could choose an image as if he were choosing wallpaper" (Sue), they effectively position themselves as unique in a way that both justifies and commands a premium price. It is not clear, however, if custom design is actually demanded by a large number of consumers or if in fact this is simply a niche market or focused positioning strategy. Either way, it is another element to a firm's efforts to supply the terms upon which customers understand what a "good" tattoo is to be. By selling a tattoo as something unique, designed especially for a person, never to be reproduced for anyone else, these tattooists privilege uniqueness and custom design, thereby influencing the market's view of what should be valued in a tattoo.

There is a significant institutional component to a consumer's purchase decision, largely because "better value", ostensibly what determines consumer behaviour, is subjectively understood. It is in part influenced by a firm's own marketing communications, but this is not interpreted by consumers in a vacuum. It is shaped by the actions of rival firms and of the beliefs consumers have about aesthetics, trends, safety and value.

## **Regulation**

Nearly, all firms emphasized the increased concern about disinfection, sterilization and cross-contamination. All firms, however, noted that just about anyone can open a tattooing establishment with very little to guide them how to, or stop them from, doing so. Provincial boards of health are responsible for monitoring the operation of tattooing studios, however, several tattooists contend that the legislation is lacking and outdated, with very little enforcement of health standards by a regulatory body. So despite having some regulation in place, it is not efficacious in any way. In the absence of any binding legislation, tattooists are imposing a level of self-regulation in the standards they enforce in their shops to ensure the health and safety of themselves and their clients. Steve noted:

It's more or less, you got to have like a bunch of your own quality control cause more than likely nobody cares, anybody can hang up a sign and say "I'm a tattoo artist" and do the same thing.

Several tattooists indicated there is a need for improved health regulations and better enforcement. Mike said, "I would like to see more regulations and stricter ones. We never seen health inspectors come in here and I have been here five years". He went further to say:

Regulations are 25 to 30 years behind the times. They still state that you can boil your needles for 15 minutes and that's okay. But that's not okay, it's good for coffee.

Some respondents suggested that legislation requiring tattooists to complete apprenticeships would regulate quality. In Canada, tattooing apprenticeships are not required by law. In the USA, however, it is more common for tattooists to be required to complete apprenticeships in order to practice. Although not legislated in Canada, many of the tattooists we interviewed saw apprenticeship as the only way to become a "professional" tattooist. Participants in our study were diverse in that six experienced a formal apprenticeship and four were self-taught. Self-taught tattooists were pejoratively referred to as "scratchers" by some of the apprenticed tattooists.

Apprenticed tattooists emphasized the required sacrifice involved in this formal method of training. Arthur described how in the beginning of an apprenticeship he performed basic jobs and did not earn any real money. His comments also show that apprenticing ensures ethical standards by not letting people tattoo until "properly" trained. He explained the risks associated with employing those who learn on their own by telling a story of a "scratcher" who worked with him:

They teach you how to use all of the needles properly, sterilization, and then you start working on grapefruits. You can't actually practice on people; that's just wrong. I really think being there and learning is the best way, personally it's the professional way to learn. I have an example of one [scratcher] that he [the owner] did take on. His first half a year that he was working here he did a lot of tattoos that didn't stay in the skin very good so it caused a lot of problems. All those people kept coming back to the shop to get fixed so the owner had to fix them himself, which ends up costing more money because you can't charge to fix them.

Similarly, Jordan, another tattooist, noted the necessity of apprenticeships by comparing tattooing to other apprenticed trades, as well as to medicine:

Just like any other contractor would do, like a wood contractor would apprentice something, same kind of deal. It's like trying to learn how to be doctor, you have to go in and actually have someone teach you how to do it and then you know what's wrong and right.

In contrast, Sue rejected the notion that apprenticeships are either necessary or all that critical to success. She was formally trained as an artist at one of Canada's top art schools, and started tattooing because she found it difficult to find someone who could do "good" tattoos. Sue works at a high-end Toronto tattoo studio, commanding some of the highest prices for services that we encountered. She also noted how her establishment no longer offers apprenticeships, although it did for many years. She said that the apprenticeship process itself is unrewarding for many people (i.e. long hours, poor pay) and does not necessarily correlate with better quality or safer tattooing.

Our discussions with government representatives across the country also indicated that there is very little legislation in place to govern the operations of tattooing and piercing establishments in Canada. "Personal services" organizations are the responsibility of provincial governments and their boards of health. [Health Canada \(2003\)](#), the federal health agency, has produced a document titled "It's your health: tattooing and piercing", which highlights some of the risks of tattooing, and offers suggestions to minimize the risk of infection for both consumers and tattooists. This is, however, the extent of their involvement. Under the Public Health Act in Alberta, there are regulations governing tattooing shops that detail sterilizing techniques and general practices to be followed. In Ontario, the overarching legislation that governs tattooing establishments is the Ontario Health Protection and Promotion Act. The scope of the legislation is broad and it sets minimum requirements in specified areas. The Personal Services Settings Protocol was established in 1998 by the Ontario

Minister of Health in response to the Health Protection and Promotion Act. It sets out the minimum requirements in Ontario for personal services organizations. It covers operations where there is a risk of blood regardless of setting, from hairdressers and barbers where blood may surface accidentally, to acupuncture where blood will likely be present, to piercing, tattooing and branding. In conjunction with this act, boards of health have had to develop education programs and monitor activities of personal services establishments. In the Toronto area, for example, routine inspections do occur, however, intervention rarely involves sanctions. Moreover, the list of establishments to monitor has not been established through a centralized recording system. Rather, inspectors maintain an ongoing list of firms that they edit when they receive complaint calls or if in their travels they notice a new firm. Justin noted that in Ontario, like many other provinces in Canada, regulation is in the form of guidelines only. This is unlike the regulations in place for food establishments whereby very specific requirements about preparation, storage and hygiene are rigorously enforced. He also noted that the regulatory environment in Canada for tattooing establishments differs greatly from most US states, where strict legislation governs their activities. In most Canadian provinces, however, there is very little provincial regulation. One municipality in Nova Scotia, for example, has taken a proactive approach in implementing and enforcing regulation. Most provinces are only in the process of drafting regulations, or regulations are in the form of guidelines. Inspection is expected to be costly and therefore it is difficult to know when and how such legislation will be implemented.

### **Competition**

Coupled with the education and standard-setting aspect of apprenticeship, some tattooists interpret the difficulty of apprenticeship and the availability of those willing to commit to it as a way to limit the number of new tattooists entering the market, thus decreasing competition:

That's the way it's [apprenticeship] been done over the years and been passed on. You know up until five to ten years ago a lot of us wouldn't give out their secrets. It was a hard business to get into because other artists or tattooists did not want to tell you anything and not want to show you anything. That's the reason you had so many people trying to do it on their own and stuff (Mike).

Mike described the industry as “a cut-throat business and the other studios will put you down and try to get your business and ruin your reputation”. He indicated that he prefers to collaborate with rival studios because it makes for a “better atmosphere and it makes it better for the industry as well”.

Glenn did not emphasize the intensity of rivalry, but he did indicate that he is comfortable with the market position of his firm because “we have been doing well so I'm not too worried about anybody else. We out-do all the other ones for sure with the cleaning and sterilization quality”. Some participants also described how the employment contract with apprentices serves as a means to formalize the employment arrangement, “protects {my} business from training other artists and protects {my} market” (James).

As firms attempt to create competitive advantages for themselves, they are forced into demonstrating “good” tattooing in relative terms. In situations where customers know very little about what makes a tattoo good or bad, explanations are freely provided. In many waiting rooms it is common to see portfolios that show cover-ups, tattoos done over older, unattractive tattoos. Sometimes these are attributed to particular establishments as a way to signal the competitive strength of one establishment over another. In order for a firm's legitimacy to be increased, it needs to find ways to favourably position itself against its rivals. Firms help create institutional norms that they satisfy by trying to influence the criteria by which consumers make these judgments.

## Competitive advantage as a legitimacy-creating process

Respondents in our study defined success, and thus competitive advantage, by survival rates and claimed that those who do not adhere to standards (i.e. sterilization, apprentice-based learning) would not survive. A shifting basis of competition and value creation for consumers appear to be occurring centred on professionalism and quality, as indicated by the centrality of discourses of medicine and artistry. What is not entirely clear, however, is the source of these institutional norms. To answer this, we look to institutional theory ([Meyer and Rowan, 1977](#); [DiMaggio and Powell, 1983](#); [Zucker, 1977](#)) to highlight organizational motives to construct social acceptability in the context of creating rules and norms of the institutional environment. Although these rules and norms typically constrain firm behaviour, they are “at least partially of their own making” ([Barley and Tolbert, 1997, p. 93](#)). Through self-regulation, apprenticing, and consumer education, firms proactively shape institutional norms in ways that secure perceptions of appropriate and legitimate behaviour, conferring a variety of survival advantages. These types of proactive activities are largely ignored by institutional theorists, who tend to focus on conformity with existing institutional norms. An examination of internal firm processes and exogenous forces reveals the complex ways in which competitive advantage is constructed and strengthened, thus illuminating its mutually constitutive nature.

## Internal firm processes: how competitive advantage is built and institutionalized

According to [Rindova and Fombrun \(1999\)](#), firms construct their competitive positions through the processes of strategic investments, projections and plots. From either within an organization or from imitating similar organizations, institutionalized norms are generated that create new cultural meanings. The controversy about the necessity of apprenticing is an interesting phenomenon because it signals incomplete institutionalization of this socialization tactic. In other words, apprenticing has yet to take on the rule-like character of an institution, and as such is not uniformly endorsed by firms or customers. When tattoo establishments vilify the self-taught, they are engaging, in a coercive way, in both creation and enforcement of institutional norms. Tattooists would not need to actively discredit the self-taught by likening them to criminals and using pejorative terms if it was clear that they were inferior. This means of institutional control is characteristic of contexts where different organizational practices are competing for dominance and “indicates that other attractive alternatives exist” ([Zucker, 1987, p. 444](#)). While some firms try to perpetuate the apprenticing tradition by justifying its existence, others de-emphasize apprenticing and instead draw attention to the quality of their work and the safety of their practices in an attempt to construct competitive advantage.

Most institutional research emphasizes the compliant nature of firm behaviour ([Oliver, 1997](#)), taking as a starting point an established expectation to which firms react. Through strategic investments, projections and plots, organizations are actively shaping widely-held notions of “good” tattooing, supplying the terms of legitimacy upon which actions are based. Our findings show that firms themselves are active agents in shaping the broader social expectations that all firms in the industry must circulate within.

“Strategic investments” ([Rindova and Fombrun, 1999](#)) are built in order to provide products that satisfy customer needs. Our respondents indicate that “good” tattooing is created through training and experience, although there is less agreement on the extent to which an apprenticeship is required for this. A “professional” tattoo parlour is also one that is hygienic and clinical, not the “seedy” stereotypical establishment many people envision. What cannot be fully understood is if strategic investments in health standards are in fact valued by consumers, or to what extent they differentiate firms or signal legitimacy. They indicate, however, that strategic investments often

create demands, not simply meet present ones. In institutional terms this is a type of manipulation (Oliver, 1991, p. 157) in that firms are attempting to shape the “content of the expectations themselves”, rather than passively accept them. This represents a proactive effort of firms to alter consumer perceptions of “quality” tattoos, the professionalism of the tattoo artists who perform them, and the establishments who employ them.

“Strategic projections” (Rindova and Fombrun, 1999) need to communicate these investments to potential customers in order to accurately position the organization and create a favourable impression of the establishment in the organizational field. Firms can draw upon a range of tactics to influence definitions of acceptable practices, including regulation, establishing standards and marketing (Adner and Zemsky, 2006; Oliver, 1991). This is evident in the various techniques used by firms studied in this research (e.g. posting tattooists' hepatitis test results, displaying fix-ups originally tattooed by competitors, promoting apprenticed tattooists). The effectiveness in doing this may create unique product positioning that protects firms from direct competition with each other and permits a number of firms to simultaneously earn above-average profits.

The result is a firm's “strategic plot” (Rindova and Fombrun, 1999). A firm's investments and projections are replicated time and time again, forming part of the organization's routines and underlying assumptions guiding individual behaviour and firm decisions. This creates the firm's unique “dominant logic” (Prahalad and Bettis, 1986). Firms perpetuate their belief in the value of custom versus flash art, espouse the importance of artistry and/or apprenticeship and educate potential customers about the health risks associated with tattooing in order to secure favourable impressions of their operations. Over time these beliefs and practices will become norms within and outside the organization. They are the consistent and continuous activities that come to define a firm's strategy and its unique competitive position, and shape consumer behaviour by supplying the terms for evaluating rival establishments. For example, why is custom art “better” than flash? Why should consumers be so mindful of disease and infection when their incidence is so rare? The strategic plot here is premised on professionalism, with consistent investments and projections signalling the legitimacy of a certain type of tattoo, tattooist and tattoo establishment. There is, however, some evidence of inconsistency in these three processes in some studios. For example, most shops emphasize the importance of cleanliness, yet in many cases the location and atmosphere in the studio communicated something very different (e.g. dark lighting, littered premises). Rindova and Fombrun (1999) suggest that inconsistency in the three processes negatively affects the competitiveness of the firm, however, there may be some time lag involved before performance and survival prospects are affected. Alternatively, this can illustrate the possibility of institutionalized activities having no “obvious economic or technical purpose” (Oliver, 1997, p. 699). Only over time will the extent to which these investments are valued and thus feed into competitive advantage become clear.

Our findings suggest that there are no universally accepted notions of “quality” that are either projected or understood by the market. Similarly, the investments tattoo studios make in differentiating themselves may be only partially understood by the market, and as such may not translate into economic rents. What these investments do, however, is create institutional norms that are internalized by existing establishments and diffused into the market. This is almost inevitable in the context of ambiguity and uncertainty that prevent clear assessments of product quality and ideal strategy (Galaskiewicz and Wasserman, 1989). Because no objective measures of goal accomplishment or product quality exist, organizations act on myths (i.e. about infection) or beliefs about achieving organizational ends (i.e. about apprenticeships). In other words, the absence of objective indicators of firm performance creates fertile ground for institutionalized practices to shape strategic development (Meyer and Rowan, 1977).

In summary, these organizations attempt to position themselves as providers of “good” tattoos through actions designed to proactively influence consumers' beliefs and expectations. There are two dimensions to these influences on institutional norms. First, is the type of training/experience tattooists have, and how these are translated into ideas of “good” tattoos in terms of uniqueness/artistry and technical quality. Albeit a weak norm, efforts at positioning tattooists invariably come down to training. Formal art education might contribute more to the uniqueness/artistry element of professionalism and apprenticing to technical quality, both of which can shape social norms of what constitutes “good” tattooing. Second, is the consumer education in which tattooists engage in order to correct the assumptions about who gets tattoos, and what risks are associated with getting them. Proactive firm behaviours are important in this industry because consumers are largely misinformed about the product. Because a good tattoo does not necessarily stand apart from a bad one, organizations need to educate consumers on the relevant dimensions of quality so that informed purchase decisions are made.

### **Exogenous institutional influences: how institutional pressure will be experienced**

Resource allocations are made in an institutional context, something [Oliver \(1997\)](#) shows only from an internal perspective. Legitimacy is central to institutional theory in that it precedes organizational success and survival. Organizations that adhere to prevailing social norms are therefore at an advantage over those who do not, to the extent that members of an organization's field (most importantly regulators, customers and competitors) are able to shape notions of “good” tattooing. The actions of constituents affect competitive conditions and influence the development of competitive advantages through resource allocations and definitions of success ([Rindova and Fombrun, 1999](#)).

Resource-holders (e.g. customers and boards of health) make decisions that determine which firms experience competitive advantages. Institutional theory directs us to question the notion of an objectively defined concept of “value” and examine the social norms of the industry in which value is created and consumed. So in addition to guiding firm behaviour through resource allocations, members of the organizational field create pressures toward conformity based on imitation of successful firms and normative transmission of belief and fact ([Zucker, 1987](#)). Our findings show that firm behaviour may come to create institutional definitions of “good” tattooing with which some firms can comply more easily than others. Constituents therefore contribute to the resource endowment of the firm with money, market share, reputation and legitimacy, all of which strengthen competitive advantage and long-run firm performance.

The sensemaking of constituents may therefore be informed by definitions of success. This type of expectation lies at the heart of institutional theories of organization, in which “organizations are influenced by normative pressures” ([Zucker, 1987, p. 443](#)), which in part arise from external sources. It is not clear yet to what extent customers are developing and communicating their expectations about factors of success to firms, although the strategic processes of tattoo establishments show an active attempt to manipulate these institutional norms before they become highly entrenched. For example, older institutionalized beliefs about who gets tattoos (e.g. sailors, criminals, prostitutes) and what tattoo parlors are like (e.g. sleazy, dirty) are giving way to beliefs of tattooing both as an art form and clinical practice. In this way, the market creates (with the help of firms' strategic actions) expectations that tattoo establishments must meet, and model or prototypical tattoos and tattooists that set a standard against which others are compared. [Adner and Zemsky \(2006, p. 235\)](#) state that “firms can influence thresholds for acceptable performance through advertising, standard setting, and regulation” and this is evident in the efforts of Mike and Sue. They are both working with the Department of Health to help create legislative reform that will eventually diffuse across

the country. In addition, some participants are using dental suppliers for equipment and sterilization procedures and exploiting it as a promotion tool.

Although not well established in Canada, the prevalence of tattooing associations may also serve as a communication tool to tattooists and potential clients. The more ubiquitous these industry-wide norms become, the more they are likely to shape consumer needs and perceptions of quality. The more unclear assessments of quality or value, the more individuals rely upon institutionalized definitions to inform their opinions and purchase decisions (Selznick, 1957; Galaskiewicz and Wasserman, 1989). Given that there appears to be a lack of consumer concern about health and safety and a lack of legislation and regulatory requirements, the evidence of a medical discourse may be a signal of institutional isomorphism. Isomorphism results from firms responding to a set of institutional norms in similar ways, whether that pressure is based on the threat of sanction, understandings of appropriate behaviours, or the imitation of successful firms within the organizational field. Whether these paradigms form from the self-regulation initiatives or the strategic projections of firms themselves, they create a notion of what a “good” tattoo is and what a professional tattooist is like, thus setting a set of expectations that any legitimate, reputable tattoo establishment should adopt.

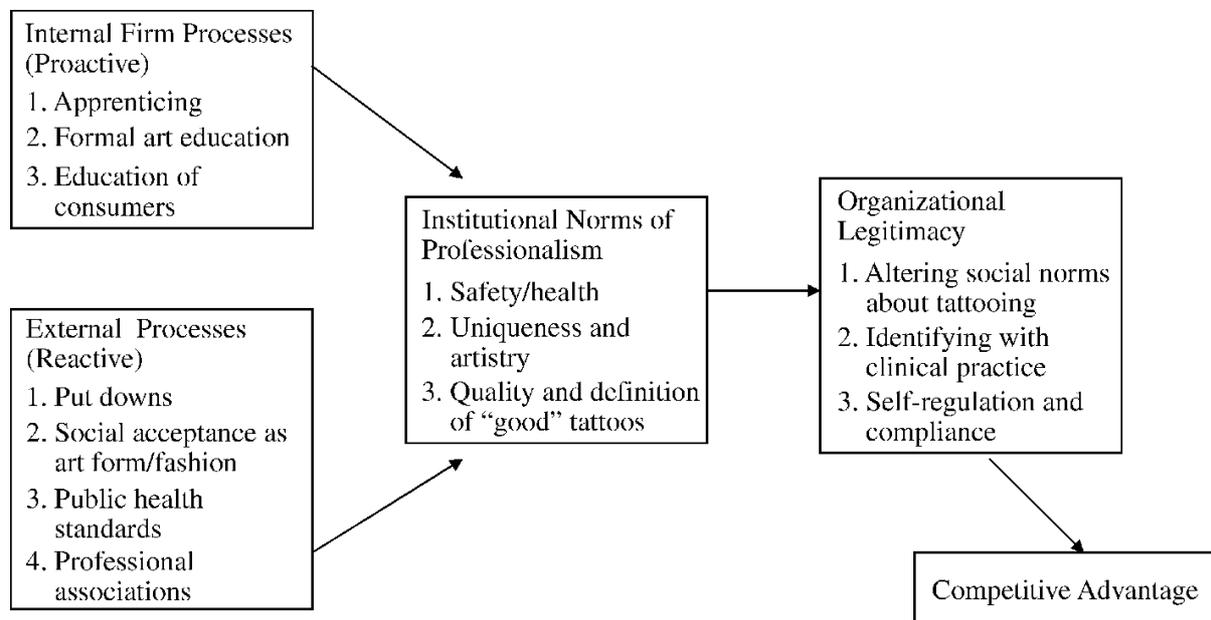
There are several pressures originating from an organization's field that in this industry shape understandings about appropriate firm behaviour, which institutional theorists predict would enhance organizational legitimacy. In Canada, there are three clear dimensions to these influences on institutional expectations. First are the put-downs and other competitive tactics that firms use to differentiate themselves from rival firms. This is usually done in the context of privileging one type of training/experience over another, as an attempt to communicate the bases of good tattooing to consumers who otherwise might not be aware of these attributes. Second are the public health standards that are beginning to govern the industry. In most cases these are guidelines at best or at the initiative of tattooists themselves, attempting to create legitimacy through a stamp of approval that would offset some of the concerns many potential customers may have, namely of health risks due to unsanitary conditions. Third is the increasing social acceptance of tattoos as an art form or a fashion that brings a different kind of consumer, albeit often an uneducated one, into a business that in the past was more counter-culture. As a result, the need to be more business-like and professional has created certain expectations that tattoo establishments now must conform to in order to be perceived as legitimate. Although not pervasive in Canada presently, professional associations that serve to create networks of “professional” tattooists in order to raise the profile of the profession and create industry-wide norms and gain credibility from adhering to them might arise as a fourth dimension. These four considerations will require reactive actions on the part of organizations in one of two ways. First, organizations may change their practices in order to adhere to the expectations of constituents. They currently do this by, for example, posting certificates of inspection and procedures for preventing the spread of infection. This displays vigilance with respect to public health, even when they had been doing so all along and when the incidence of infection from the tattooing process is relatively rare. Second, organizations will come to identify with values and institutions that already have a strong basis of legitimacy, thereby increasing their own legitimacy. By appropriating medical discourses, by using dental suppliers and by helping to form public health standards, organizations create and enhance their legitimacy through the association with other reputable institutions that have established bases of legitimacy.

## **Conclusions**

Our case study of these small tattooing firms makes a unique theoretical and empirical contribution by showing how firms create value expectations through their firm-constituent interactions. By integrating institutional arguments into theorizing of competitive advantage we show that at the

level of firm strategy, increased organizational legitimacy and favourable competitive positioning are sought after by proactively shaping institutional norms that come to constitute “good” tattoos and tattooing practice. This process is shown in [Figure 1](#). By suggesting that firms need not necessarily succumb to pressures for homogeneity, our findings show how competitive advantage results from a series of ongoing processes that are at least partly under the control of the firm. As an outcome of a related set of processes, competitive advantage is therefore best understood to be constructed by firms and members of the organizational field.

Our study's findings are, naturally, limited in the way any small sample study would be. We are unable to make claims about the Canadian tattooing industry in general, or gauge the extent to which these types of organizational practices lead to competitive advantage in other sectors. As the same time, however, case studies are useful because they aim to examine something with the intention of learning from its uniqueness. Through extensive study of these firms and a detailed description of the way they construct value norms, the groundwork is laid through which transferability of findings can be made. There are several lessons to be learned from these small organizations that are more widely applicable. In particular, the insights offered in this paper may be transferable to other personal services such as hair styling, massage therapy, and acupuncture. It may also be useful in extending our understanding of other businesses where value is subjectively understood, for example, in the visual and performing arts. As argued by [Hitt \*et al.\* \(2001, p. 480\)](#), the entrepreneurial thinking present in small firms needs to be integrated more explicitly into strategic management. Wealth creation is at the heart of both entrepreneurial thinking and strategic management and reconciling the two may uncover “entrepreneurial strategies that create wealth” for organizations of all sizes and from all sectors. Finally, the interplay between competitive and institutional pressures and the mutually constitutive way in which competitive advantage can be strengthened by increasing organizational legitimacy as revealed through this research is insightful for those of us studying strategic management in a variety of small organizations.



**Figure 1** Competitive advantage as a legitimacy-creating process

		<i>Tattooists</i>			
<i>Informant</i>	<i>Location</i>	<i>Competitors (within city limits)</i>	<i>Product offering</i>	<i>Socialization</i>	<i>Pricing strategy<sup>a</sup></i>
Dennis	St John's, Newfoundland	2-4	Custom art and flash	Self-taught	\$50-70
Arthur	Halifax, Nova Scotia	5-10	Custom art and flash	Apprenticed	\$50-70 (or hourly @ \$100 per hour)
James	Halifax, Nova Scotia	5-10	Custom art and flash	Apprenticed	\$80-120 (or hourly @ \$100 per hour for three hour block)
Glenn	Wolfville, Nova Scotia	2-4	Custom art and flash	Self-taught	\$50-60
Mike	Moncton, New Brunswick	4-6	Custom art and flash	Apprenticed	\$50-70 (or hourly @ \$100 per hour)
Steve	Moncton, New Brunswick	4-6	Custom art and flash	Self-taught and later apprenticed	\$50-60
Sue	Toronto, Ontario	80-100	Custom only	Self-taught	Hourly only @ \$80 per hour
David	Ottawa, Ontario	15-20	Custom art and flash	Self-taught	\$50-70
Felix	Calgary, Alberta	15-20	Custom art and flash	Apprenticed	\$60-85
Jordon	Calgary, Alberta	15-20	Custom art and flash	Apprenticed	\$60-80
<i>Government representatives</i>					
<i>Informant</i>	<i>Department</i>	<i>Level of government</i>	<i>Location</i>		
Patrick	Environment	Municipal	Nova Scotia		
Laura	Human resources	Municipal	Nova Scotia		
Max	Planning	Provincial	New Brunswick		
Katie	Health	Provincial	Prince Edward Island		
Tom	Environmental health	Provincial	Prince Edward Island		
Joanne	Environmental health	Provincial	Alberta		
Justin	Public health	Provincial	Ontario		
Maria	Health Canada	Federal	Ontario		

**Table I.** Description of participants – tattooists and government representatives

**Notes:** To protect the identity of participants the names of tattooists and government representatives have been changed. <sup>a</sup>These prices are estimates from the establishments and refer to the cost of a tattoo using three to four colors, not too detailed and 5 cm width in size. Price does not appear to be affected by whether establishments offer either or both flash and custom art, that is whether the design is flash (i.e. "already made" designs) or custom art (e.g. from picture or drawing). Some places do have an hourly rate as noted in the column. It also should be noted that in some cases the slight variation in pricing may also be due to the relative location of the establishments (e.g. Eastern Canada versus Central Canada, city of 300,000 versus 1,000,000) and associated costs of living

**Table I** Description of participants – tattooists and government representatives

Concept	Description words
Apprenticeship	"Trained"; "professional"; "proper way"; "everyone should", p. 1
Employment contract	"Protects my business"; "protects my market"; "probationary thing", pp. 2/3
Self-taught artists	"Learned all he can on his own"; "show him how to clean up his work"; "learning the stuff he couldn't on his own"; "habits were so bad"; "got a lot of foundations"; "their work never looks professional", pp. 1/3
Entry barriers	"Up until 5 to 10 years ago a lot of us wouldn't give out their secrets"; "hard business to get into"; "reason you had so many ... trying to do it own their own"; "now it's a little more open", p. 3
Cleanliness	"How well [apprentices] keep themselves groomed, fingernails, hair"; "there's a lot more to it than people think"; "shops are a lot cleaner, there are still shops that should be cleaner"; "it's like a doctor's office, when you walk in the doctor's office you can tell if it's clean or not" "should smell and look clean", pp. 1/4/5
Regulation	"The standards, our regulations are still slacking"; "I would like to see more regulations and stricter ones"; "we never seen health inspectors come in here ... and I've been here five years"; "so there is a problem ... that the health board is not making themselves aware of it or just don't care"; "still state you can boil your needles for 15 minutes"; "you can go buy the equipment and start tattooing tomorrow and nobody will say a thing to you"; "there's no licensing, legislation, nothing in this province"; "guidelines that are very, very old, very outdated", pp. 4/7
Competition	"But around as a rule, tattooing and piercing is really a cutthroat business"; "other studios will put you down and try to get your business and ruin your reputation"; other tattoo shops ... spread a rumour about another shop ... spreading hepatitis ... that scares people off from tattoos all together"; "makes it bad for the industry all around"; "now it's a little more open ... different artists ... will even talk to one another and share ideas ... the conventions are big for that ...", pp. 3/6
Qualifications	"Art ability"; "their portfolio, their art background, their appearance, their attitude", p. 3
Socialization process	"Two year apprenticeship"; "teach you how to make needles, how to sterilize the equipment"; "nobody starts tattooing right away"; "you practice ... and your teacher decides when you are ready"; "they could be tattooing six months down the road"; "as soon as they start tattooing they start getting paid", pp. 1/2
Clientele	"It's definitely on the rise"; "it's a lot more different types than before"; "they always relate tattoos to bikers and prisoners but now we do all ages and all different walks of life", p. 6

**Table II.** Initial analysis of concepts in individual texts (sample). Participant – Mike

**Table III** Initial analysis of concepts in individual texts (sample). Participant – Mike

Informant	Descriptors/comments	
Arthur: 5	"... we're friends with pretty much everyone in town, every other shop around. There is the odd exception..."	
Arthur: 5	"... he'll [owner] send me [convention] so through that you meet other shops and artists and you know make contacts that way..."	
Jordon: 4	"... if you're not talking to other tattoo artists and communicating and getting your name out there and showing your work ... you might not go somewhere..."	
Mike: 2	"... the only other part of the contract [apprenticeship] is five years after their contract is up they cannot open a studio within a 50 mile radius of anywhere I operate ... that protects my business from training other artists and protects my market"	
Mike: 3	"... up until 5 to 10 years ago a lot of us wouldn't give out their secrets. It was a hard business to get into because other artists or tattooists did not want to tell you anything..."	
Mike: 3	"... now it's a little more open ... the conventions are big for that ... you learn a lot at conventions..."	
Mike: 6	"... as a rule, tattooing and piercing is really a cutthroat business and the other studios will put you down and try to get your business and ruin your reputation"	
Joey: 3	"... there's only so many people that are doing it and it's basically closed out to the open public..."	
Glenn: 7	"... big tattoo conventions ... there is everything related. And there is people doing workshops showing different techniques that have found..."	

**Table III.**  
Partial concept card for competition

**Table III** Partial concept card for competition

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### **About the authors**

Gina Grandy is an Assistant Professor with the Commerce Department at Mount Allison University, Sackville, New Brunswick, Canada. She presently teaches courses primarily in strategic management, organizational theory and change. She completed her PhD at Newcastle Business School, Northumbria University. Her research interests include critical perspectives on strategic management, competitive advantage, change, culture, and identity. Gina Grandy is the corresponding author and can be contacted at: [ggrandy@mta.ca](mailto:ggrandy@mta.ca)

David Wicks gained his PhD from York University (Toronto) and is an Associate Professor of Management and Dean in the Frank H. Sobey Faculty of Commerce at Saint Mary's University, Halifax, Nova Scotia, Canada. He teaches courses in management principles, strategic management, organizational behaviour and research methods. David's research interests are in compliance and resistance with institutional expectations.