© Academy of Management Journal
2012, Vol. 55, No. 6, 1381–1406.
http://dx.doi.org/10.5465/amj.2011.0361

ARRIVING AT THE STARTING LINE: THE IMPACT OF COMMUNITY AND FINANCIAL LOGICS ON NEW BANKING VENTURES

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Building on the literature on competing logics and the context of local banks, I explore an important outcome for entrepreneurial efforts that is reaching the point of establishment. The embeddedness of founding teams in a community logic makes them more committed and more capable of attracting local support, resulting in greater establishment rates for their enterprises. By contrast, embeddedness in a financial logic leads to more likely team dissolution. High embeddedness in both logics simultaneously has a positive effect on the likelihood of establishment in stable economic periods, but a negative effect in turbulent periods. Qualitative evidence suggests that the existence of factions in a founding team—more likely in turbulent periods—could account for such a difference. Drawing on a mix of archival data on bank founding teams and interview data, this article links logics, founder backgrounds, and entrepreneurial success. Variation in founder backgrounds influences establishment rates for reasons that can be traced back to community and financial logics. This study thus links literatures on competing logics, founder motivations, and entrepreneurship. By showing the contingent effect of economic stability on the successful integration of logics within founding groups and thus on entrepreneurial establishment, this study also contributes to research on institutional complexity and ambidexterity.

> [Starting a bank is about] more than just money. It's a way to be an integral part of the community.
>
> – Director, bank 1

> The purpose is to make money. Starting a new bank is not a left-wing utopian endeavor.
>
> – Director, bank 2

Institutional logics are broadly defined as patterns of beliefs, practices, values, assumptions, and rules that determine what is meaningful and legitimate in a given field (Thornton & Ocasio, 1999). Those logics furnish entrepreneurial organizations with cognitive models, schemata, and other cultural material (Scott, 2003) to guide their formation and early development. Researchers have shown that competing logics can coexist in a single organizational field, giving rise to differences in strategies (Lounsbury, 2007; Marquis & Lounsbury, 2007) and in personal and professional collective identities (Lounsbury, 2007; Rao, Monin, & Durand, 2003). To adapt to complex environmental requirements, organizations often integrate competing logics (Battilana & Dorado, 2010; Zilber, 2002). For example, micro lending organizations incorporate financial and social logics. Although integrating competing logics can facilitate the acquisition of resources needed to start entrepreneurial ventures, it can also be a source of dysfunctional tension (Battilana & Dorado, 2010; Zilber, 2002).

Organizational research has begun to address how organizations adapt to complex environmental requirements with competing institutional expectations (Battilana & Dorado, 2010; Freeman, Harrison, & Wicks, 2007; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Lounsbury, 2007; Marquis & Lounsbury, 2007). However, rarely have scholars explored questions such as the extent to which entrepreneurial groups differ in their alignment with competing logics and the extent to which such variation affects the chances of those groups starting an enterprise. Similarly unexplored are such questions as under what conditions founding teams more easily integrate competing logics and under what conditions mixing those logics has favorable or unfavorable consequences. These

I am deeply grateful to Christopher Marquis, my dissertation chair, as well as to Miguel Angel Canela, Emilio Castilla, Marta Elvira, Joshua Margolis, Peter Marsden, Jeffrey Polzer, Sameer Srivastava, Andras Tilcsik, and Christopher Winship for their guidance and support. I thank Gerard George and three anonymous reviewers for their expert guidance in the editorial process. I am grateful to Tom Vandebroek for his close reading and editing of this paper, and to participants in the Work, Organizations and Markets Seminar at HBS and the MIT-Harvard Economic Sociology Seminar for their invaluable feedback.

omissions are surprising because, as research has shown, competing logics have implications for the motivation, priorities, and organizational agendas of founding teams, as well as for their local legitimacy (Audia, Freeman, & Reynolds, 2006; Ocasio & Joseph, 2005), and because contextual differences, such as those resulting from geography and time period, greatly influence the incidence and impact of logics (Lounsbury, 2007; Thornton & Ocasio, 1999).

The relationship between different logics and the odds of successfully getting a new venture started is far from obvious. Consider, for example, the case of two institutional logics that are common and highly influential in many fields: the financial or economic logic (Davis, 2009; Fligstein, 1990; Glynn, 2000; Thornton, 1991; Thornton & Ocasio, 1999) and the local or community-based logic (Freeman & Audia, 2006; Galaskiewicz, 1985, 1991; Marquis & Battilana, 2009; Marquis & Lounsbury, 2007; Thornton, Ocasio, & Lounsbury, 2012; Tilcsik & Marquis, 2013; Uzzi, 1996, 1997). The financial logic, which is permeated by economic assumptions and goals, could be characterized in terms of profit-maximizing objectives and a self-interested, individualistic, and arm's-length ethos that can be detrimental to communities (Marglin, 2008), while the community logic could be defined on the basis of strong, affective, and enduring ties among members of small and bounded groups.

On the one hand, the financial or economic logic may be associated with more legitimacy in financial markets, greater technical or professional expertise, deeper embeddedness in regulatory and professional networks, and a more outward looking perspective, suggesting an advantage over more community-oriented entrepreneurial organizations or founding teams, which may also be more insular or provincial. On the other hand, the community logic may be associated with stronger community norms, more meaningful connections and richer social ties with local individuals and organizations, and greater reputational investment of an organization's leaders, when they have more at stake than simply a financial investment. Thus, there are reasons to suggest that embracing a community, rather than a financial, logic may lead to more easily obtaining the resources needed to establish a new enterprise, at least under certain conditions—for instance, when most, if not all, of the resource providers come from the same local area, or when those resource providers in turn lead to other local suppliers.

A third alternative, namely, integrating high degrees of both financial and community logics in the same organization, may allow such an organization to reap the benefits from both logics, but may also introduce disharmony and factionalism in the founding group. Complicating things further, contextual factors may influence whether organizations can successfully integrate competing logics and, as a result, whether embodying competing logics has positive or negative consequences for founding teams. The entrepreneurial implications of embracing distinct logics and of integrating them therefore present an interesting theoretical and empirical puzzle.

This study addresses this puzzle by studying *entrepreneurial success* (i.e., the odds of a founding team establishing an organization) in the context of local banks in the United States. The case of local banks is particularly interesting because they sit at the crossroads of financial and community institutional logics. Founders of local banks thus have not one but two cultural resources that could serve as building logics for their organizations. Those two competing logics may have different motivational effects on founding teams. For example, engaging a desirable community identity can lead to greater identification with a team and can, by itself, become a positive incentive for founder commitment (Akerlof & Kranton, 2000, 2005; Anteby, 2008; Dutton, Dukerich, & Harquail, 1994; Tajfel & Turner, 1979). The two logics also attract different types of legitimacy that may facilitate or hinder the integration of all the stakeholders needed to start a new enterprise (Arora & Cavusgil, 1985; Gatewood, Cowan, & Lautenschlager, 1993). Variations in commitment and legitimacy could, in fact, better predict the chances of a potential founding team opening a bank than variations in teams' levels of human and social capital, although the latter are likely to be important as well.

Studying entrepreneurial success requires a careful research design. To study this outcome, I examined both successful and unsuccessful attempts, something uncommon in entrepreneurial studies, where founders generally come into view and become objects of study only after managing to start new enterprises (Carroll & Khessina, 2005). Theoretical explanations of founding rates based on such data necessarily confound two separate factors: the level of organizational attempts in a given area and the relative success of these attempts (Delacroix & Carroll, 1983). The current article can shed light on the success of those entrepreneurial attempts, by focusing the analysis on the early stages of bank founding groups, well before they open banks.

To succeed in establishing a new organization, entrepreneurs must assemble such resources as legitimacy, commitments of effort, money, technol-

ogy, contacts, and information (Aldrich & Martinez, 2001; Zott & Huy, 2007). Much of the entrepreneurial literature has focused on the conditions that allow entrepreneurs to acquire the material resources they need (Audia et al., 2006; Eisenhardt & Schoonhoven, 1990), focusing especially on founders' levels of human and social capital (Baum & Silverman, 2004; Burton, Sorensen, & Beckman, 2002; Cooper, Gimeno-Gascon, & Woo, 1994). Some attention has also been directed to factors that confer legitimacy on new organizations, such as the founders' reputations or their affiliation with high-status organizations (Baum & Oliver, 1992). In assessing the impact on entrepreneurial success of legitimacy, and other factors that may be related to different institutional logics, more attention could be devoted to the embeddedness of founders in those distinct institutional logics. Embeddedness may be associated with different types of motivation and levels of founder commitment, potential synergies and frictions between logics, and, ultimately, a group's successful adaptation to multiple environmental requirements.

In this article, I develop a theoretical framework for studying the influence of institutional logics on founding groups resulting from the embeddedness of those founders in financial and community institutions. Such embeddedness is likely to transmit a set of cognitive beliefs (Friedland & Alford, 1991), priorities, meaningful categories (Ocasio & Joseph, 2005), and normative values (Hirsch, 1997; Mizruchi & Fein, 1999) that shapes a "collective identity" for founders (Rao et al., 2003; Thornton & Ocasio, 2008), who then carry those legitimate values and assumptions into the organizations that they found (Thornton & Ocasio, 2008). Founding teams, as the literature on imprinting has shown, play an important role in defining the character of their organizations (Baron, Hannan, & Burton, 1999; Schneiberg, 2007; Stinchcombe, 1965), but even before those organizations come to be, those teams' embeddedness in distinct institutional logics may also influence the cognitive schemata and motivations of founders and their perceived social legitimacy, and thus affect the likelihood of those groups actually establishing their banks.

To the extent that logics provide different frameworks for interpretation (Glynn, 2000), they may also lead potential founding team members embedded in those logics to respond to dramatic historical events in predictable ways. For instance, the rapid deterioration of the U.S. banking industry during the first half of September of 2008 could have important implications for how founder embeddedness in the financial logic affected the odds of establishing a bank. The turbulence of that period may have also aggravated tensions within founding teams strongly embedded in both logics, thus diminishing the chances of those teams reaching the point of bank establishment. This study explores the influence of the economic context (before and after the crisis) on the successful integration of financial and community logics. It thus contributes to both research on institutional complexity (by considering the tensions caused by incompatible prescriptions arising from multiple institutional logics [Greenwood et al., 2011]) and to research on contextual factors leading to ambidexterity—that is, the successful integration of hybrid practices (Battilana & Dorado, 2010). A potential impact of the economic context would suggest a more dynamic and reversible influence of time period on the incidence of logics than previously considered (Thornton & Ocasio, 1999).

Using a combination of qualitative and quantitative data, I test the predictions arising from the implications of those logics in the context of the formation processes of 431 local banks in the United States during the period between 2006 and 2008 (focusing especially on those 271 banks that were de novo organizations). Through these findings and the underlying framework, I make several contributions to the organizational literature. First, I show a link between institutional logics and *entrepreneurial success*, defined as the likelihood of a founding team reaching the point of establishment, an outcome that has not been studied sufficiently in the entrepreneurial and the institutional logics literatures. Exploring this outcome within a competing logics framework contributes to the literature on environmental influences on entrepreneurship (Haveman & Rao, 1997), a literature that has generally focused on explaining the antecedents of actual foundings rather than the odds of success of founding attempts. This framework opens a potentially fruitful avenue of research for exploring mechanisms arising from other institutional logics, such as family or religion, in terms of their potential for improving the chances of new organizations getting established. Second, examining this entrepreneurial outcome also contributes a new perspective to the literature on entrepreneurial motivation, and on "stakeholder capitalism," which has been linked to successful adaptation to multiple and conflicting environmental requirements (Freeman, 1984). Third and finally, this study complements prior work on institutional complexity (Greenwood et al., 2011; Kraatz & Block, 2008). It does this by exploring the impact of simultaneous founder embeddedness in multiple logics and the moderating effect of critical events in facilitating or hindering the integration of those logics.

In the next section, I provide an overview of the process of bank formation. Drawing on interview evidence and theories of institutions, identity, and group commitment, I develop hypotheses about the impact of the institutional embeddedness of founding teams on the likelihood of those teams reaching the point of opening a bank. In the methods section, I show qualitative evidence of the influence of both community and financial logics on new local banks and explain the measures and statistical methods used to analyze the influence of those institutional logics. I then test those hypotheses in data about founding teams of local banks in the period 2006 to 2008 and, with the help of interview evidence, I offer an interpretation of the results. Finally, I discuss implications of this research for the study of entrepreneurship and institutional logics.

THE PROCESS OF FOUNDING NEW BANKS

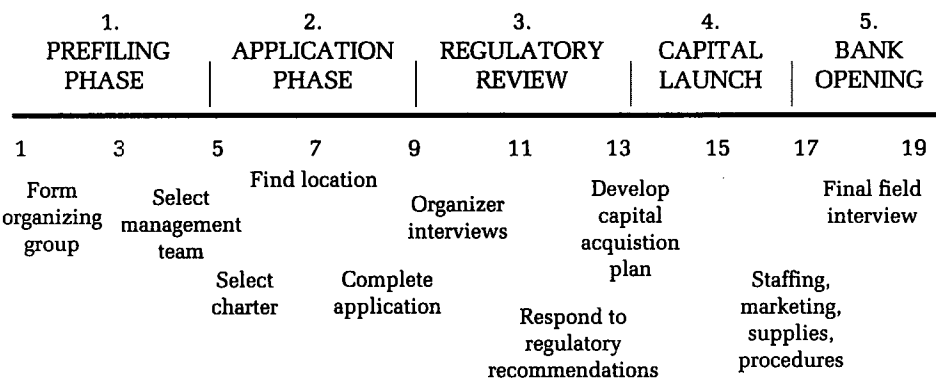
Starting a U.S. bank involves a clearly defined process, according to trade literature and interviews with consultants and prospective CEOs (see the methods section for more detail on qualitative evidence). As Figure 1 shows, the initial steps in the prefiling and application stage are the selection of directors and management team, choosing a bank location, and choosing a regulatory charter. After filing an application, the organizing or founding team goes through a regulatory review process and, more importantly, raises the required capital by assembling an investor group, usually from among friends and colleagues. Interviews suggested that the most critical work of the founding team is raising capital (the trade literature suggests that the capital raised is $20 million on average) and then gathering support from potential customers, depositors, and community organizations. If the group fails to reach the goal of opening the bank, it is required to return the money, net of organization costs, to investors. The founding group funds the process of organization, which includes the cost of hiring consultants, lawyers, and a management team, and, at some point, paying rent to secure a location. The members of the founding group can lose a lot of money in the process—around $1.5 million—if they fail. As such an organization process drags on, the likelihood of establishment of a bank diminishes greatly, because the funds committed to it get progressively depleted.

Founding groups of local banks rely on their own social and business networks, which can be a source of referrals for investor capital, deposits, and loans. Regulators require these founding groups to define explicitly the geographical area that a bank will serve, which is generally within one county, or at most within two or three adjacent counties. These banks generally differentiate themselves from larger banks by facilitating ready access to top decision makers and by providing personalized service tailored more closely to local needs. The management hired by the founding team provides the financial expertise needed to run the bank, which is complemented by that of some of the board directors. The community relations function of the bank is performed mostly by the CEO and the board of directors who are, as a CEO put it, the "ambassador network of the bank."[1]

Founders may choose a commercial bank, savings bank, or a savings institution charter, and they may choose to be regulated at either the national or

[1] For the purposes of this article, "founders" and "directors" are the same. A bank's board of directors *is* the founding team. By contrast, members of its management team are not founders but employees of the bank or of the founding group.

FIGURE 1
Five Phases of Bank Formation[a]



[a] Numbers along the timeline refer to months.

the state level. Depending on those choices, they may have as their regulator the Office of the Comptroller of the Currency, the Federal Reserve, the Office of Thrift Supervision, or a state-level banking department. All banks and savings institutions are also regulated by the Federal Deposit Insurance Corporation (FDIC), which provides insurance for deposits. Commercial banks, savings banks, and savings institutions are depository institutions that make loans to individuals and corporations. In terms of the services they offer, there is little difference among them. Commercial banks were initially intended to provide business loans. Savings banks were first created to provide easily accessible savings products to all strata of the population. And savings institutions, also called thrifts, were initially formed to channel funds to the housing industry. But over time, these mandates have blurred and all now offer a similar suite of products.

Regardless of regulator, all groups file the same Interagency Charter and Federal Deposit Insurance Application, which includes an analysis of the intended market, a draft of the business plan for the first three years, and biographical statements of the directors and managers. Regulators also examine closely the professional and personal background of directors and managers to make sure they have sound reputations and sufficient expertise to oversee a bank, and they assess the feasibility of the business plan in the context of its local environment. One of the consequences of regulatory oversight is that almost all founding teams fulfill minimum requirements of financial expertise and local ties both at the management team and at the board level.

THEORY AND HYPOTHESES

As new work in institutional theory has abundantly documented, many institutions in society provide the cognitive models, schemata, and guidelines for behavior that furnish organizations with cultural material to guide their development (Scott, 2003). New organizations depend even more than established ones on those preexisting cultural resources since they start without an organizational memory and often without any prior interaction among their founders (Dobbin, 1994; Friedland & Alford, 1991; Scott, 1987, 1994; Suddaby & Greenwood, 2005; Thornton, 2002, 2004).

The impact of financial and community embeddedness on entrepreneurial success depends on two broad factors: first, internally, how each logic serves to motivate and mobilize the commitment of members of a founding team (Dutton et al., 1994; O'Reilly & Chatman, 1986; Thornton & Ocasio, 2008); second, externally, how it facilitates both the acquisition of necessary resources from the environment and the integration of those resources from multiple stakeholders with different goals, into one founding effort.

Impact of the Financial Logic on Success in Establishing a Bank

At the team level, founders embedded in financial institutions possess high degrees of finance-relevant human and social capital ("financial human capital"). Compared with other founders, they are likely to have greater capacity for financial bank director roles (Becker, 1962), which are highly relevant for banks (Ocasio, 1995), and therefore likely to enjoy greater legitimacy with regulators and possibly with investors as well (Meyer & Rowan, 1977). Thus, those teams highly embedded in financial institutions are likely to be better adapted to their environment's financial requirements. Regulators require at least two directors with banking experience and one director with an accounting background to chair the audit committee of a bank corporation. Qualitative data generally support the benefits of financial backgrounds.

Despite those factors, there are also reasons to think that concentrating high levels of financial embeddedness in founding teams is likely to lead to lower chances of success in establishing a bank. First, financial embeddedness is likely to be associated with financial identities, beliefs, and priorities, and thus with a greater prominence of profit-maximizing norms and opportunism, and therefore, as noted in prior research, with lower degrees of cooperation and altruism (Eccles, Nohria, & Berkley, 1992; Ferraro, Pfeffer, & Sutton, 2005; Frank, Gilovich, & Regan, 1993; Friedman, 1970; Ghoshal, 2005; Khurana, 2007; Marwell & Ames, 1981). Lower team motivation and commitment is expected when founding groups exhibit more opportunism and less cooperation. To the extent that self-serving investment goals motivate founding teams, one expects, in line with the literature on the collective good problem, that members of those teams will be more likely to defect from them in certain contexts, such as when more lucrative opportunities become available, when risks increase, when individual interests become misaligned, or when opportunities arise for members to evade costs or shirk responsibilities (Olson, 1965). To the degree that no community norms or shared identities bind those groups, one expects them to be more fragile and to break down more often in the process of bank formation.

Second, at the environmental level, one expects that the financial logic, which is based on the supreme authority of shareholder interests, may not be a winning formula for building entrepreneurial organizations that depend on the cooperation of various stakeholders with multiple and conflicting goals. Securing the cooperation of all stakeholders requires the integration of their multiple goals into the joint enterprise (Venkataraman, 2002). When some critical resource providers feel subordinated, they are likely to gravitate toward alternative stakeholder networks (Freeman & Phillips, 2002).

Interviews with founders embedded in a financial logic—hereafter, "financial founders" or "financial directors"—suggested that they were more likely to hesitate in their commitment and to abandon a founding team for self-interested reasons. Some teams fell apart when key directors walked away and put their capital behind other ventures or when a banker essential to a team took a top job with another bank. Individual self-interest is not always aligned with the common good of the team or of the local community. Precisely to avoid such team disintegration, a community-minded CEO explained that in forming his team, he made a point of rejecting "wild money" directors—that is, those whose only interest was in seeking high rates of return.

Qualitative data from interviews and regulatory documents, as described below, suggest that there are strong community expectations for local banks, which may not be compatible with founding teams strongly embedded in the financial logic. Local banks are generally built around a broad basis of community-oriented support, based on a "perceived need" for a "locally owned and headquartered banking institution" to provide "relationship-based" service to local customers often neglected by larger banks. Out of a set of 253 documents describing a prospective bank's competencies to regulators, 76 percent mentioned such "perceived need" for a local bank with a "community" orientation. Evidence from interviews showed that many among those local resource providers aspired to "do well and do good," or were motivated in their participation by the "pride they felt in their community" and that at least some of them viewed as illegitimate the shareholder-centered financial logic that leads some groups to sell the banks they have founded at the earliest profitable chance, within just a handful of years.

> We saw a bank that was only three years old when it sold out and made a huge profit. But boy! What about the employees? And what about the local citizens and the people that deposited their money and brought loans and made referrals? Those people end up getting yo-yoed back and forth. . . . No sense of loyalty to those people.

All things considered, a potential founding team's embeddedness in the financial logic is likely to have an overall negative influence on success in establishing a bank. This is expected for two reasons. First, the financial legitimacy of the founding team and board is less critical in the case of a bank than it would be for a more complex financial institution. Interview evidence makes it clear that the financial success of a bank depends on the financial human capital offered by its CEO and management team (all bankers) rather than that of the founding team. The required number of financial directors, just two, is sufficient to supervise local banks that offer simple financial services. Thus, increasing their number beyond two is unlikely to add much to the bank's human capital needs. Second, concentrating financial directors in founding teams is likely to underscore the financial and shareholder-centered purpose of banks, leading to more self-regarding motivations and less cooperation (Olson, 1965) and lessening the chance of finding support from resource providers with community expectations. Such support is critical for the establishment of these banks because most resources in these banks derive from community investors, customers, and institutions.

Hypothesis 1. Founding teams with higher proportions of directors embedded in the financial logic are less likely to succeed in establishing a bank.

When market conditions significantly deteriorate, as in the onset of the financial crisis of 2008, founding teams more embedded in financial organizations, which are more likely to view a bank start-up simply as an investment, are more likely to decrease their commitment to start a bank and to withdraw from the process. This is likely to be true for several reasons. First, they are likely to react more strongly to downward revisions of their initial profit and investment return expectations. Second, they are likely to perceive their investment risk as greater. Third, in the context of a crisis, teams not bound by community norms and identities are less likely to remain true to their initial commitment (Olson, 1965), even if some members of these founding teams are still very interested in starting banks.

All those factors suggest the following moderating hypothesis:

Hypothesis 2. The negative effect of founding team embeddedness in the financial logic on the likelihood of succeeding in establishing a

bank (Hypothesis 1) is likely to be stronger in periods of economic turbulence.

Impact of the Community Logic on Success in Establishing a Bank

By contrast, founders embedded in the community logic are expected to exhibit stronger community norms (Galaskiewicz, 1985; Marquis & Lee, in press) and a stronger commitment to founding efforts, in the first place as a result of possessing a socially desirable community identity (Marquis & Battilana, 2009; Thornton & Ocasio, 2008), which is likely to result in "identity incentives" and "rewards" with positive motivational effects for a founding team (Akerlof & Kranton, 2000, 2005; Anteby, 2008; Polletta & Jasper, 2001). Those motivational identity dynamics that are analogous to those present in social movements are likely to be stronger the more that teams are embedded in community institutions. The community norms, affective connections, altruistic and reputational concerns associated with such embeddedness are also likely to help a team overcome the collective good problem, which otherwise could easily lead to member defections when personal and group interests become misaligned (Olson, 1965; Portes & Sensenbrenner, 1993), and to be more resiliently committed—for good or ill[2]—to securing the resources needed to open a bank than would be purely economic investors. Second, at the environmental level, the stronger social ties and community norms associated with community embeddedness are likely to facilitate trust and thus the acquisition of critically important local resources (Uzzi, 1996), and they are likely to facilitate successful integration of the bank's multiple stakeholders, who would be viewed as equal partners in the process of founding the bank. Venkataraman (2002) noted that the process of entrepreneurial discovery and exploitation, which tends to require the cooperation of multiple stakeholders with different goals, is generally managed as if for the benefit of all stakeholders. Bounded solidarity (Portes & Sensenbrenner, 1993) and enforceable trust in a community are also likely to facilitate the acquisition of resources and the integration of multiple goals. Thus the cultural integrating force resulting from the community logic is likely to be stronger both within a founding team and within a bank's stakeholders.

[2] Entrepreneurial success and founder commitment should not be assumed to be positive outcomes in every case, especially after the 2008 financial crisis.

Our interview evidence suggests community reputation as a key motivator, in many cases stronger than investment goals. One CEO, for instance, explained that in his founding team "[a] sense of community service and of ego were probably stronger than investment motivations." Evidence from interviews and documentary data also suggest that having a shared community identity among founders and a clear community mission results in greater founder commitment and community support. Having well-known and altruistic directors, seen as "good people" in their community, was a strong plus for some groups, especially at a time when the integrity of the overall banking sector was in question. A bank employee expressed the binding force of the community mission among stakeholders and its motivational impact as follows:

> I honestly feel that when you get board members, and shareholders and employees, and customers with fundamentally similar beliefs, it is hugely powerful.

Independently from commitment and legitimacy benefits, community directors possess deeper social networks or contacts with other local organizations and groups, which may be helpful in attracting financial capital among local investors. Both the ecological and institutional literatures have addressed the importance of links between new organizations and other populations of organizations in the local environment, which can be sources of needed material resources (Audia et al., 2006). The synergies in resource acquisition are well supported empirically. More than half (52%) of the regulatory documents mentioned above expressed in some way the referral benefits to banks of having local directors and investors with strong ties in the community. For instance, one such document stated that "the organizers will utilize their extensive local business and personal contacts in actively soliciting and referring business to the bank." In short, these banks depend largely on local customer and investor referral networks.

Despite these benefits, potential drawbacks may be associated with teams having strong community orientations. For example, those teams may have an inward-looking perspective that may prevent them from reaching out effectively to other potential sources of capital and ideas outside a community. The interviews offer some evidence of the isolating effect of the community logic; however, that concern is likely to be less critical at times or in contexts in which the greater part, if not all, required resources are drawn from a community, or when obtaining local resources enhances a group's capability to obtain even more local resources, which is

the case in this context. The discussion above leads to the following proposition:

Hypothesis 3. Founding teams with higher proportions of directors embedded in the community logic are more likely to succeed in establishing a bank.

Combining Financial and Community Logics

Since local banks generally integrate community and financial logics to adapt to their multiple institutional requirements (Kraatz & Block, 2008), one would expect organizations with founding teams strongly embedded in both logics to be more likely to succeed in getting banks established. Those founding groups may be more capable of drawing support from a wider network of individuals and organizations aligned with one or both of those logics. One would anticipate favorable results especially if the presence of a high proportion of community-oriented founders in a founding team would offset the deficits in commitment and local legitimacy expected in teams with high proportions of "financial founders." If such is the case, teams with high concentrations of both community and financial founders may be in the best position to succeed in starting new banks.

Assimilating competing logics and identities within organizations and founding teams, however, can be a source of cognitive confusion, normative tension, and conflict (Battilana & Dorado, 2010; Glynn, 2000; Heimer, 1999; Zilber, 2002). Adapting to cross-cutting institutional requirements (Powell, 2007) may be difficult even for organizations that have a long institutional history and a preexisting and clearly defined model—that is, a "ready-to-wear" model (Battilana & Dorado, 2010; D'Aunno, Sutton, & Price, 1991). In this study, interviews offered evidence of factions in founding teams, precisely caused by tensions related to the varying orientations—community and financial—of founders, and especially concerning the matter of deciding whether to sell the bank to realize an investment gain or keep it to serve the community. Some community-oriented founders viewed banks "built to sell" and those founders who supported such a strategy as violating the banks' community mission. In addition to what was quoted earlier (two paragraphs prior to Hypothesis 1), here is another example of this sentiment:

> [Some founders were] in this really for the money, and so *in spite of the stated mission, which was to be a local bank that participates in the community,* their underlying motive in my view was selling the bank, and making a lot of money. We had a lot of those investors looking for high IRRs, of 20%, and high growth rates.

Financially oriented founders, on the other hand, criticized community-oriented founders for being too enamored of their "toy bank," thus neglecting profitable exit opportunities. Indicating his past difficulties with divided founding teams, one bank founder expressed the opinion that organizations need *one* primary mission to guide all decision making, not two; that is, the mission should be either to maximize shareholder value or to serve the community. Having *one* primary mission prevents disagreements and facilitates decision making, not only about a bank's exit strategy, but also about ordinary banking matters, such as whether to enact exacting or forgiving policies about late payment charges or overdraft fees.

Those counterbalancing considerations about integrating diverse logics in one organization—a broader basis of support versus factionalism—do not suggest an all-encompassing prediction on how combining high levels of founder community and financial embeddedness influences the odds of opening a bank. However, in stable economic environments in which there is continuity with familiar institutional patterns, one may conjecture that founding teams and resource providers can rely without much difficulty on a preexisting, ready-to-wear model to integrate those competing logics. Evidence from interviews suggested that questions of trade-offs between conflicting normative commitments were rarely discussed in detail in the process of founding a bank, often because founders implicitly trusted board-level negotiations and compromises to resolve them. Hence, without a precipitating event to sow divisions, conflict or factions may have no reason to form, even in teams embodying competing logics and motivations. A CEO mentioned, for instance, not having discussed the timing for when they might consider selling the bank, leaving that ambiguous and thus avoiding an occasion for latent conflict to emerge: "That is a bridge that we will have to cross when we get to it." Similarly, another CEO who kept both possibilities open—building a bank to sell or serving a community for the long haul—indicated that board members and resource providers did not demand more specificity:

> Our message to the board as well as to the shareholders was that our plan is to build a bank that will last. However, I also said that if at some point someone comes along and wants [the bank] more than we do, and we are not able to generate the internal rate of return that someone would be willing to pay, then we will sell it. But if you don't build the bank to last, then it's not going to be worth anything to an ac-

> quirer. And so [in the founding team] we probably had different ideas as to how long the life cycle would be. Some [directors] were thinking five to ten years and some were thinking forever.

Prior research has suggested that ambiguity of goals enhances the scope of discretionary action and thus the chances of teams reconciling competing logics (Goodrick & Salancik, 1996). From qualitative evidence and prior theory, then, one may thus conclude that in economically stable periods, obtaining support from sources embedded in different logics is likely to be easier than in turbulent periods, because in stable periods founding teams can leave open or ambiguous the organizational purpose and ranking of logics. The discussion above leads to the following proposition:

Hypothesis 4. In stable economic periods, founding teams highly embedded in both financial and community logics (i.e., diverse teams) are more likely to succeed in opening a bank than are nondiverse teams.

By contrast, in periods of greater turbulence, founding members and other resource providers may commit their support only with strings attached, demanding a closer alignment of the new enterprise's purpose with their own motivations. Under conditions of environmental change and decreasing resources, divided founding teams may experience inner conflict and opposing outside pressures. Unable to deliver a clear statement of priorities and objectives, those divided teams may be less likely to obtain support from team members and bank stakeholders. The relevant literature suggests that in turbulent and complex environments, which is when the strategic function of a board is most critical, diverse boards are slower and less effective because their divergent goals and priorities make them less capable of decisive action (Goodstein, Gautam, & Boeker, 1994). "Factions" and "conflicting viewpoints" brought about by "lack of common goals at the board of directors" (all terms used by participants) are expected to surface more aggressively in times of greater turbulence or when attaining resources is more difficult. Under circumstances that test the unity of a team, "sharing *one* vision," whether it is to maximize shareholder value or to serve the community, rather than having divided goals, is more likely to sustain the commitment to start a bank. Research on board conflict also suggests that it is more likely in situations of contextual change, decreasing resources, and board diversity (Angelica, 1999). This discussion leads to the following:

Hypothesis 5. In turbulent economic periods, founding teams highly embedded in both financial and community logics (i.e., diverse teams) are less likely to succeed in opening a bank than nondiverse teams.

METHODS

Mixed Methods

The data for this study were obtained from (1) archival evidence from bank charter applications to regulators, (2) qualitative data from semistructured interviews with over 60 CEOs, prospective CEOs, consultants, bank regulators, and bank directors, as well as content analysis of charter applications presented to regulators describing the strengths of a founding team and the goals of the proposed bank, and (3) participating in a workshop for prospective bank founders (New York, April 2009) to interview individuals contemplating the idea of starting a bank. The qualitative support is used primarily in the discussion section to interpret the results of the archival quantitative analysis.

The main source of archival evidence is De Novo Watch, published by SNL Financial, an organization providing news and data about banking organizations. De Novo Watch lists founding groups attempting to start banks in the United States. As that publication began in April 2006, it is only as of that month that I can account for both successful and unsuccessful attempts. Those lists lead me to the original charter applications[3] of those founding teams, which also provide a profile of the bank directors. I was able to acquire and use detailed information for about 309 of those groups, out of 431, containing 2,979 individual biographical statements, ending with applications submitted June 30, 2008. Publicly available financial, demographic, and competitive information compiled mostly by the FDIC complemented the archival evidence from those applications.

In successful cases, the founding teams managed to obtain the necessary approvals, and, more importantly, to raise the required capital. Unsuccessful groups failed because they were not able to raise enough capital or because they lost interest for other reasons. After the 2008 financial crisis, regu-

[3] Bank charter applications (Form FDIC 3064-000) include sections on a bank's proposed management team and board of directors, including relevant backgrounds and qualifications, training planned, board structure, and incentive plans; on the bank's plan for raising capital; on characteristics of the geographic areas to be served; and so forth.

lators played an important role in the withdrawals of founding groups because they imposed a higher hurdle for approval, thus testing the founders' resolve. In this sample, there was no clear evidence of banks actually being rejected. The fundraising and regulatory difficulties of this period are important for the argument advanced here, since it relies in great measure on the resilience of the directors' commitment and their capacity to persuade local investors. Those motivational factors may be more important than human capital considerations, which, of course, are still likely to remain important.

The bank charter applications to regulators described above included contact information for prospective CEOs, which facilitated the recruitment of interview participants from among CEOs and other directors. This mixed-design method gains from the strengths of its component parts. Archival evidence is unobtrusive and objective, while interviews add greater depth of interpretation that infuse the previous analysis with rich context. Qualitative support was critical in guiding the hypotheses proposed, the controls used, and the interpretation of the results.

Qualitative Support

I interviewed directors from groups in all phases of the organization process, including founding groups of banks still in formation (7 groups), as well as groups recently established (31) and groups that gave up on starting a bank (12). From all those interviews, I was able to obtain a wide perspective on the founding process. Analyzing unsuccessful groups was particularly helpful in grasping the importance of founder commitment.

As summarized in Table 1, I started with pilot interviews conducted by phone, between 30 and 60 minutes in length. The goal of those pilot interviews was to enrich the theoretical ideas of this study and to guide the design of the interview protocol and the selection of archival evidence. I used multiple informants to mitigate subject biases (Golden, 1992; Miller, Cardinal, & Glick, 1997).

After the pilot interviews, I designed the interview protocol summarized below in Table 2, and I randomly selected additional interview targets from the list of banks included in the statistical analysis. The targets included, in the first place, the CEOs and, in some cases, other bank directors. Those interviews lasted between 30 and 60 minutes and were conducted by phone. Their purpose was to explore the motivations of directors and the influence of institutional logics in a sample chosen more systematically and to assess what key factors emerged more often, as explanations for the success of these founding groups establishing the banks. Almost all interviews were audiotaped and transcribed. I asked follow-up questions via phone and e-mail when clarification was needed.

From the interviews, I learned the importance of founder commitment and community identity, themes that emerged quite spontaneously in multiple interviews. I also learned from those interviews that CEOs are commonly surprised to discover who, among the members of their founding team, turned out to be more successful or productive in raising capital and providing business referrals. To wit, those founders with the deepest local networks were often, and counterintuitively, not the most helpful.

Word searches of 253 regulatory documents describing the mission, goals, and opportunities of the prospective banks and the strengths of the founding team to regulators, as well as word searches of interviews with bank CEOs or other founders involved in starting banks, suggested some key success factors, which are summarized in Table 3.

TABLE 1
Interviews Conducted

Initial Phase: January 2008 to April 2009	Second Phase: June 2009 to January 2010
CEOs and prospective CEOs: 6	CEOs and prospective CEOs: 37
Bank employees: 2	Chairmen of the board: 3
Consultants: 4	Other directors: 11
Bank regulators: 2	Bank employee: 1
Prospective bank entrepreneurs: 4	

TABLE 2
Interview Protocol

1. How did the idea of starting a bank first arise?
2. What motivated you to start a bank? What motivated others in the founding team? How did the founding group come together?
3. What were the main challenges in starting? How was your experience with bank regulators? How was your fundraising experience?
4. What incentives did you envision in your business plans for directors and for the management team?
5. How well did the board perform in raising the necessary capital and in bringing business to the bank?
6. What do bankers—Entrepreneurs/non-bankers/community leaders bring to the founding team?
7. How is your bank a community bank? How is your bank a business?

TABLE 3
Key Success Factors for Founding Teams

Mechanism	Evidence	Representative Quotations
Founder commitment (time, effort, and money dedicated)	*Documents to regulators* 202 references to founder commitment and motivation, and commitment to provide superior, high quality, or excellent service (out of 174 docs). *CEO and director interviews* 85 references to commitment, and to willingness to put extra effort (out of 46 interviews coded).	We have a board which is involved in the community and is *very committed* to the growth of the community. When it came down to ask people for the money, most of [the board] *failed to follow through* with it.
Human capital (access to banking and founding knowledge)	*Documents to regulators* 527 references to the experience of the directors or management team. *CEO and director interviews* 192 references to experience or expertise of directors.	All of the directors have *extensive experience* in the financial services industry. [Directors] *have to have some sort of expertise* that they can bring.
Networks of directors (connections to resources)	*Documents to regulators* 215 references to contacts and connections of founding directors as well as their potential to refer investors or clients to the bank. *CEO and director interviews* 142 references to contacts, connections, networks of the directors.	The organizers' *extensive contacts* within Manatee County . . . should provide the Bank the competitive edge. If you have 19 different circles of influence you have *tentacles* that reach throughout the community and allow you to expand quicker. That happened to us.
Legitimacy from investors (founders conform to the values and assumptions of investors)	*Documents to regulators* 167 references to reputation, local prominence, and leader[ship] qualities of directors, as well as references to local investors. *CEO and director interviews* 107 references to reputation, prestige, credibility, visibility, and prominence of founding team, as well as respect it commands in the community.	The directors have *long established reputations* in the local community. The directors and organizers *are prominent individuals.*
Legitimacy from regulators (founders conform to regulatory expectations)	*Documents to regulators* 155 references to regulators. *CEO and director interviews* 199 references to regulators.	The CEO is a seasoned banking professional who is held in high regard by *regulators.*

Validation of the Community and Financial Logics

At the start, I was expecting to find that diversity of professional backgrounds in a founding team and depth of business networks would be particularly important themes in these interviews. However, the most interesting theme was the alignment of banks and founding teams with financial and community logics. As the literature also suggests, local banks differ from larger regional or national banks because of their community orientation (Marquis & Lounsbury, 2007). But these new local banks are also different from credit unions and micro lending organizations, because of their more obvious profit motivation and financial logic. At times, those logics appeared in stark contrast. Although most organizing teams seemed to be influenced by both financial and community logics, even if in different degrees, founding groups that were mostly influenced by one or the other also existed, and could be considered ideal types (Weber, 1978). The two quotes with which this article begins reflect those contrasting ideal types. Some bank founders referred to different types of banks, "banks built to sell" on the one hand and "true community banks" on the other, and they also referred to different types of motivation frequently found among bank entrepreneurs aligned with those logics.

Table 4 describes both ideal types of institutional logics in quotes from interviews. Those quotes do not prove, but strongly suggest, the existence of banks embodying logics approximating the two ideal types. They also illustrate clearly that these organizations are complex and incorporate diverse logics and motivations. Table 5 describes expressions of the financial and community logic in descriptions of prospective banks written for regulators.

Financial and community logics are two important axes defining the identity of founding groups of local banks. Founding teams could be strongly, or weakly, enmeshed in those logics, independently of one another. Teams could be strongly embedded in both, or in neither. Because those two logics can be independent of one another, I have

TABLE 4
Influence of Institutional Logics on Local Banks

Characteristics	Financial Logic	Community Logic
Orientation to the community	Strategic or instrumental: We saw a bank that was only three years old when it sold out and made a huge profit. But boy! What about the employees? And what about the local citizens and the people that deposited their money and brought loans and made referrals? No sense of loyalty to those people.	Commitment to the community: [I] love community banking. I think banking is just a powerful engine for growth, of both economic growth and social growth of the community, the customers, and the clients we serve. We enable jobs to be created, dreams to come true.
Sources of legitimacy	Recognition by larger banks for growth: [In my previous bank I was involved in acquisitions]. When looking at potential acquisitions we saw a bank that at one time had a branch that had grown $35 million in about a year's time. Everybody was awed by it.	Community trust: We were the sweethearts of the community. We were very close to the municipal offices. We knew the individuals and we had established a degree of trust, and that's what this is all about.
Basis of mission	Profit maximization: The previous bank we sold it at 11 times. There is a lot of excitement to see what we can do this time.	Service to community: The people that we have on the board were looking to give back to the community. It is a way of giving back to the community that has given so much to them.
Identity of organizing team	Group of investors: The average bank has sold for about two and half times book value. So, if we start a bank with $20 million, and say at the end of six years somebody pays you two and half times [that amount], you cash out, and everybody takes the money and goes home.	Shared identity as community leaders: You are going to see a lot of community leaders, and not-for-profit leaders on [a board of a community-oriented bank].
Representative quote	There are banks that are looking to be sold from the day they start. You can tell what the model is from the contracts they had with management and the board. Some have very serious options. When you sell the business, those options become exercisable and that's when [they] make their money (CEO).	What makes our bank a community bank is that all the decisions are made locally and we have a board which represents the community, is involved in the community, and is very committed to the growth of the community (CEO).

proposed distinct hypotheses, rather than combining them into one, to capture the influence of the financial logic on the one hand and of community logic, on the other.

The embeddedness of founders in financial and community institutions is likely to be associated with the strategic orientations of the banks they found (if the founders succeed). But even before the establishment of the organizations, those logics are likely to influence the chances of these teams reaching the point of opening, which is the outcome of interest in this study.

Quantitative Measures

Dependent variables. The main dependent variables in this study were the time elapsed (in days) from the filing of a bank charter application to the opening date of the bank for groups that succeeded in opening, and, for groups that failed, to the date of their withdrawal. Those variables are proxies for the teams' ease or difficulty in opening a bank and indicate their likelihood of success. The first is a measure of *time to establishment*, and the second, of *resilience* in the face of difficulties which, nonetheless, lead to ultimate withdrawal.

For successful groups, longer elapsed time is a proxy for greater difficulty and lower likelihood of success in establishing their banks because, in the process of organization, a bank incurs costs that gradually deplete the organizing funds. Additionally, if bank organizers have not succeeded by a set date (usually a year), they must return the unspent organizing funds to investors. Figure 2 illustrates the declining establishment rates of founding groups as the time since the regulatory filing date gets longer. Longer elapsed times thus reflect a founding team's lower capacity to mobilize board members, local investors, and community leaders to obtain the needed capital funds. Among groups that ultimately withdrew, the time elapsed from the beginning to withdrawal is an indication of resiliency, or sustaining an effort and clinging to hope.

A second dependent variable to assess the results' robustness was *bank establishment*, a

TABLE 5
Expression of Financial and Community Logics

Variable	Description	Examples
Financial logic		
Profit	References to bank's intended profitability. Key word: profit*.	• The organizer's intent is to build a . . . bank to fulfill the strategic goals of . . . *profitability* and growth. • We expect the proposed bank will be efficient and at the same time very *profitable.*
Growth	References to bank's intended growth. Key word: grow*.	• The bank intends to pursue an aggressive *growth* strategy. • This level of capital will provide the bank . . . the ability to sustain its projected asset *growth.*
Attractive business environment	References to attractive features of the area as a business opportunity. Key words: affluent*, consolida*, merge*, populat*, and grow*.	• Long Island is known for its *affluence* and high quality of life. • The market area is strong and given its central location is characterized by a high *population* base and a very strong residential base. • The organizers believe the bank will be well positioned for long-term success, especially with continued *consolidation* in the banking market.
Community logic		
Commitment to the community	References to local ties of directors, to the directors' descriptions as community leaders and their work as community volunteers, etc. Key words: ties, charit*, community leader, corporate citizen*, volunt*, and civic.	• The directors and organizers† are prominent individuals with significant *ties* to the San Gabriel Valley community. • All of the directors are successful business and *community leaders.* • Mr. Nielsen is active in numerous *charitable* organizations and *volunteers* time with his church. • The bank will differentiate itself from the existing banks in the marketplace through *volunteerism* and direct financial support. • The organizers believe a locally owned and operated bank can provide a high level of customer satisfaction and a reasonable return to investors while being a good *corporate citizen.*

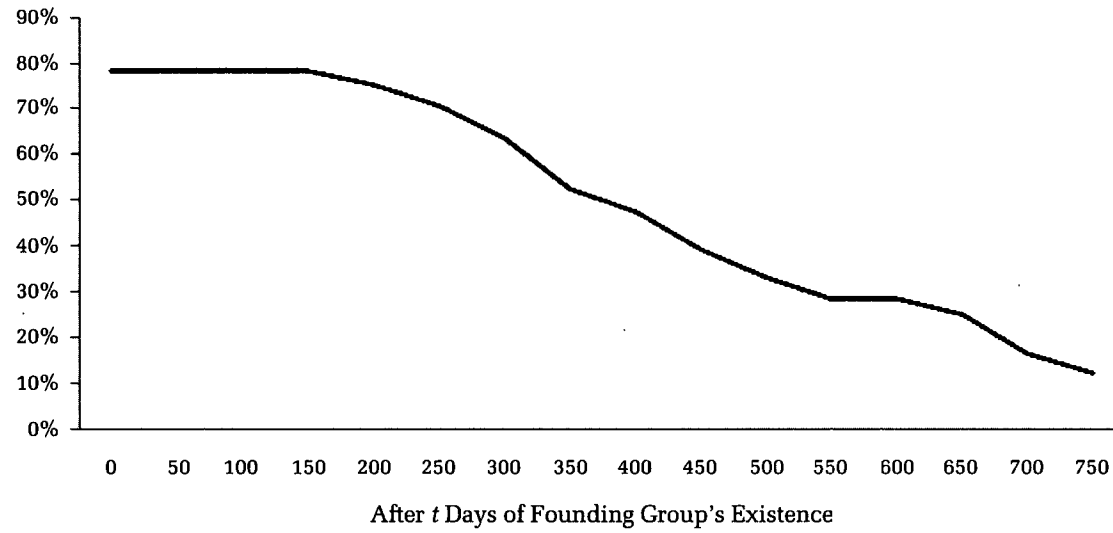
dummy variable with a value of 1 if a group managed to open a bank and 0 if a group withdrew its application. Using this variable did not change the results. A descriptive analysis of this variable shows that groups with a higher proportion of community directors succeeded more often in establishing banks, and groups with proportionally more financial directors succeeded less often. These effects are independent of the worsening of the financial crisis in 2008.

Since regulators do not disclose the names of rejected applications, there is no way to clearly distinguish rejections from team withdrawals. The FDIC does disclose approved applications—the great majority—but describes nonapproved applications, when they are disclosed, as withdrawn by the founders. However, evidence of such regulatory rejections was very rare and, when rejections were clearly documented, I excluded the rejected banks from the sample. According to interviews with experts in the bank founding process, regulators prefer not to reject applications; instead, if they are not inclined to approve a bank, they may increase the regulatory hurdles for approval—for instance, by demanding more banking experience among board or management team members. Founding teams eventually choose to withdraw rather than to sink more organizing capital into a venture with decreasing chances of success. My interviews suggest that the loss of founder commitment in the face of organizing and fundraising challenges was the main reason for withdrawal.

Table 6 summarizes the outcomes of the 431 organizing groups that filed for approval between April 2006 and June 2008.

Independent variables. The key independent variables were the composition of the top tier of a founding team, which includes a proposed bank's CEO and board of directors. In 30 percent of teams, the board also included management team members, such as the chief financial officer or the chief operations officer. I included as part of the founding team those organizers listed as proposed directors of the board because they are the ones who do the heavy lifting in starting a bank, especially in terms of attracting financial capital.

FIGURE 2
Establishment Rates of Founding Groups



Measures of a founding team's embeddedness in the financial logic[4] were *financial backgrounds* (estimated as the percentage of directors with backgrounds in the financial sector, excluding banking); *banking backgrounds* (the percentage of directors with banking experience); and *corporate board backgrounds* (the percentage of directors on corporate boards). Those backgrounds are assumed to influence the cognitive structures of founders so that they give greater primacy to financial considerations than do other founders. Banking experience is considered a measure of financial embeddedness, even though some banks are community-oriented, for a variety of reasons. First, to the extent that those bankers on a board are also involved in their local community, such involvement is reflected in a separate community embeddedness variable; second, directors with banking experience are chosen generally not because of their community involvement but because of their banking and financial skills; finally, board members, not bankers on management teams, are the key to banks' community orientation, and were thus called the banks' "ambassadors in the community."

Corporate board experience was also considered a good measure of embeddedness in the financial logic because legal principles and taken-for-granted assumptions of corporate governance imply that boards of directors exist ultimately to protect the financial interests of shareholders.

The group-level measures are a simple combination of dichotomous individual measures. Teams with a higher proportion of financial directors are likely to be more influenced by financial assumptions, priorities, and norms, compared with teams with lower proportions of such directors. Although there is certainly variation in how much being enmeshed in those institutions transmits those financial premises to individuals, the noise is likely to be averaged out when those individual measures are aggregated to the group level.

TABLE 6
Outcomes of Organizing Groups[a]

Status	Bank Organizing Groups[b]	Percentage of Total
Established banks	282	65%
Approved but not established yet	20	5%
Not approved but still pending as of October 2009	19	4%
Application withdrawn	110	25%
Total	431	

[a] Filing dates starting April 2006 and ending June 30, 2008.
[b] Includes both de novo banks (271) and banks with a parent company.

[4] I successfully tested the robustness of the financial embeddedness variable by using three other measures: "combined financial," which integrated all three measures of financial experience into one, and "three financial" and "five financial," which grouped all teams into three and five subcategories, respectively, with an equal number of teams in each group ranked according to combined financial.

The measure of a founding team's *community embeddedness*[5] was the proportion of directors who listed some involvement in volunteer community boards, whether social, civic, professional, or economic. This variable is continuous, going from 0 to 100 percent. Such a "revealed preference" measure is a more reliable measure of community identity than those obtained from survey responses. It is not unreasonable to assume that director-volunteers have more pronounced community-oriented motivations and values than other directors and that their goals in starting a bank are more complex, not simply financial.

[5] I successfully tested the robustness of the community embeddedness variable by using other measures: "three community" and "five community," which were analogous to "three financial" and "five financial." These measured the average number of community boards directors listed. Another alternative measure was "*community word count*," which captured the number of times that the word "community" appeared in a regulatory document describing a prospective bank.

Although volunteering for a community board can be done for instrumental reasons, those instrumental reasons related to social prestige, status, visibility, and so forth are also important components of the community logic along with altruistic concerns. What the community logic highlights is that the community somehow counts among the important priorities of a founding team.

The measure of turbulence, *crisis*, is a dummy variable with a value of 1 for banks not established or withdrawn by August of 2008, since banks that were still in the process of being established as of September of 2008 were much less likely to get established. Economic perspectives took a sharp turn for the worse in September of 2008 with the federal takeover of Fannie Mae and Freddie Mac, the sale of Merrill Lynch to Bank of America, Lehman Brothers' filing for bankruptcy protection, and the Federal Reserve's intervention to prevent American International Group (AIG)'s bankruptcy.

Control variables. Table 7 summarizes the measures and rationales for the controls.

TABLE 7
Control Variables

Variable	Measure	Rationale
Board level		
Bank board experience	Percentage of directors with bank board experience (all in this sample are prospective bank board of directors)	Such experience is likely to facilitate success.
Local directors	Percentage of directors who were local	Likely to facilitate the founding process as it is a signal of the size of the local network.
Executive experience	Percentage of directors who have had work experience as CEOs, CFOs, COOs, or CIOs	Signal of human capital and status.
10% owner	Coded 1 if a bank included a member who owned or was expected to own 10 percent or more of the bank's capital	Likely to bring unity to the organization's efforts.
Board size	Number of directors on board	Likely to have a positive effect on the size of the local network and therefore on the group's likelihood to succeed.
Joint chair-CEO	Coded 1 for a joint chair-CEO	Strong leader is likely to help in organizing efforts.
Bank level		
Target capital	Minimum amount of capital required to open the bank according to the business plan	It is harder to raise higher amounts of capital.
Environmental level		
Bank concentration	Herfindahl index (the sum of the squares of the concentration of deposits of each bank in the county)	Control for ecological resource partitioning arguments.
Deposit base at the county level	Measured as of June 30, 2007, or June 30, 2008, whichever was closest to the filing date	Counties with a larger deposit base are more likely to allow more room for new organizations.
Income growth	Comparing the 2000 and the 2008 census	Greater demand for banking services.
Population growth	Comparing the 2000 and the 2008 census	Likely to be beneficial for new banks since newcomers are more likely to seek new banking relationships.
Time elapsed	Months from an arbitrary date in the past, i.e., January 2006, to filing date	Banks filing later are less likely to succeed.

Analytical Models

I tested the hypotheses first by using a competing risks model, treating elapsed time as continuous survival time data. This method allows the estimation of separate antecedents of entrepreneurial success and final withdrawal in models based on time duration. The results of those two separate regressions are not necessarily symmetrical since they are based on different outcomes (establishment and withdrawal) and can show that different variables matter more in one outcome than in the other. The outcomes are based on *time to establishment*, for successful teams, and *time to withdrawal*, for unsuccessful teams.

Since those two competing risks were mutually exclusive events for each founding team, the competing risks model was more appropriate than a Cox model, which treats alternative hazards as censored data. Unlike censoring, which merely obstructs one from viewing an event, a competing event prevents the event of interest—establishment or withdrawal—from occurring altogether. The estimation used the "stcrreg" function in STATA 11.

This function uses maximum-likelihood estimation to fit competing risks regression models according to the method of Fine and Gray (1999). Like the Cox model, the competing risk model is semiparametric in that the baseline subhazard for the risk of interest $\hbar_{1,0}(t)$ is left unspecified, while the effects of the covariates x_j are assumed to be proportional (the proportionality assumption was successfully tested). The model is specified below,

$$\hbar_1, (t \mid x) = \hbar_{1,0}, (t) \times \exp(\beta_1 x_1 + \beta_2 x_2 + \ldots + \beta_k x_k).$$

In competing risks models the interpretation of the coefficients is based on whether they are higher or smaller than 1. If the coefficient is lower than 1 it means that, when the variable of interest increases, the hazard rate of experiencing the outcome represented in the column decreases compared to the base rate (or average). If it is higher than 1, it means that when the variable of interest increases, the hazard of experiencing the outcome increases compared to the base rate.

Secondly, I used a logit regression model predicting likelihood of success or failure—regardless of how long it takes. This model based on *bank establishment*, the second dependent variable, yields identical results.

RESULTS

Table 8 provides bivariate correlations. Table 9 lists the results of the hypotheses, which are labeled next to the appropriate variables. Model 1 includes only the controls, and model 2 tests the direct effects of community and financial embeddedness. For each model there are two columns (a and b) for each of the potential outcomes of the organizing process, that is, successful establishment of the bank, and full withdrawal. Models 3, 4, and 5 test interaction effects.

Hypothesis 1 is confirmed in model 2: embeddedness in the financial logic, as measured by financial and banking experience, makes a difference as predicted, but such embeddedness does not matter significantly when measured by corporate board backgrounds. Model 2 shows that the proportion of directors with financial and banking experience has an unfavorable effect on the likelihood of founding groups managing to open the bank, lengthening the time to open for successful groups (model 2a), and hastening the decision to withdraw for unsuccessful groups (model 2b).[6] For successful groups, these results may be an indication of a less active involvement in fund-raising or of a lower attractiveness for local resource providers. For unsuccessful groups, the results, which are more significant, may be an indication of a less resilient commitment. Those results are certainly counterintuitive, considering that a bank is a financial organization, but less surprising if the explanation is based on motivational factors and on the greater capacity of the community logic to attract the needed resources for a new local bank.

In agreement with Hypothesis 1, qualitative evidence associated financial embeddedness with weaker founder commitment. An experienced consultant spontaneously associated bankers on boards with greater hesitation to commit. "Bankers are always the last people to come to the party." Two directors who failed in the process of starting their bank blamed bankers on their boards for their hesitation to put their money on the line or to encourage other potential investors to do the same. As one chairman of a failing group complained:

> Everybody put up money, except for the bankers in the board. They would only commit to put up money once we knew that the bank was going to be

[6] Model 2a shows a .9 percent (1 − .991) decrease in the establishment rate for a 1 percent unit increase in directors with financial experience. Similarly, it shows a nonsignificant .5 percent (1 − .995) decrease in the establishment rate for every 1 percent unit increase in directors with banking experience. Increasing by one the number of directors with financial experience in a team of ten results in a 9 percent decrease in the establishment rate.

TABLE 8
Descriptive Statistics and Correlations[a]

Variable	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Financial backgrounds	26.5	17.4																
2. Banking backgrounds	30.8	18.1	.12															
3. Corporate board backgrounds	10.3	12.2	.24	.09														
4. Community embeddedness	47.7	31.5	.10	−.08	.27													
5. Bank board experience	26.1	22.9	.08	.14	.13	.13												
6. Local directors	93.1	13.0	−.10	−.18	−.04	.07	−.01											
7. 10% owner	0.2	0.4	−.06	.14	−.03	−.10	.14	−.09										
8. Executive experience	46.3	20.0	.16	.23	.20	.04	.22	−.04	.09									
9. Joint chair-CEO	0.2	0.4	−.05	.10	.01	−.10	−.04	.09	.04	.06								
10. Board size	9.6	3.2	−.04	−.37	−.01	.11	−.15	.07	−.18	−.06	−.13							
11. Target capital[b]	19.3	22.2	.09	.00	.15	.07	.06	−.01	.08	.06	.03	.21						
12. Bank concentration	1,640.3	1,139.8	−.06	.03	−.04	.07	.07	−.03	−.01	−.10	−.10	.05	.04					
13. Total deposits[b]	35.1	58.2	.15	.03	.13	−.06	−.03	−.05	.01	.10	−.01	.08	.23	.06				
14. Income growth	30.9	5.1	.19	.01	.15	−.03	−.04	−.14	.10	.03	−.05	.04	.26	−.11	.29			
15. Population growth	16.2	15.2	−.09	−.08	−.04	.10	.11	−.09	.06	.05	−.07	.05	.06	.05	−.03	.16		
16. Crisis	0.3	0.4	.01	−.06	.00	.17	.08	−.01	−.17	−.07	.00	.03	−.04	.09	.08	.03	.02	
17. Time elapsed	14.3	7.1	−.02	−.10	−.04	.08	.11	.04	−.10	−.16	−.03	−.01	−.04	−.05	.01	−.01	.03	.56

[a] $n = 274$.
[b] In millions of dollars.

TABLE 9
Competing Results of Risk Models For Rates of Establishment and Withdrawal[a]

Variables	Model 1: Controls Only		Model 2: Explanatory Variables		Model 3: Adds Financial Logic Interaction		Model 4: Adds Community and Financial Logic Interactions		Model 5: Adds Crisis Interaction	
	Establishment	Withdrawal	Establishment	Withdrawal	Establishment	Withdrawal	Establishment	Withdrawal	Establishment	Withdrawal
Financial experience	H1		0.991*	1.024*	0.992	1.016	0.977*	1.040*	0.977*	1.099†
Banking experience	H1		0.995	1.021*	0.995	1.018	0.995	1.020*	0.995	1.025**
Corporate board experience	H1		0.996	1.022	0.997	1.020	0.997	1.023	0.997	1.025
Community embeddedness	H3		1.007**	0.989*	1.007**	0.989*	1.001	0.998	1.000	1.025
Board and bank controls										
Bank board experience	1.003	0.986*	1.002	0.981**	1.002	0.981**	1.003	0.979***	1.003	0.976***
Local residents	1.012†	0.981*	1.008	0.982*	1.008	0.981†	1.008	0.982*	1.008	0.984†
10% owner	1.306	0.251†	1.337	0.304	1.324	0.296	1.331	0.312	1.345	0.223*
Executive experience	1.003	0.991	1.006	0.984*	1.006†	0.985†	1.007†	0.983*	1.007†	0.985†
Joint chair-CEO	0.967	1.604	1.022	1.104	1.034	1.056	1.003	1.105	1.011	1.173
Board size	1.030	0.985	1.003	1.021	1.002	1.018	1.010	1.013	1.011	1.017
Target capital[b]	1.000	1.000†	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Environmental controls										
Bank concentration	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total deposits[b]	1.000	1.000	1.000	1.000	1.000	1.000†	1.000	1.000	1.000	1.000†
Income growth	0.975	1.032	0.982	1.031	0.982	1.034	0.983	1.032	0.983	1.031
Population growth	1.004	1.003	1.002	1.016	1.002	1.016	1.002	1.014	1.002	1.017
Crisis	0.188***	8.767***	0.165***	11.832***	0.289*	6.424*	0.166***	10.930***	0.171†	10.408†
Time elapsed	0.990	1.058*	0.990	1.070*	0.990	1.072*	0.987	1.074**	0.991	1.077**
Interaction effects										
Community embeddedness × crisis									1.005	0.964
Financial experience × crisis	H2				0.990	1.012			0.998	0.927
Banking experience × crisis	H2				0.992	1.005				
Corporate board experience × crisis	H2				0.987	1.001				
Community × financial experience	H4					1.001		0.999	1.002$^{\pm}$	0.999*
Crisis × community × financial	H5								0.999	1.001*
Wald χ^2 (*df*)	106 .(13)	85 .(13)	131 .(17)	104 .(17)	128 .(20)	117 .(20)	137 .(18)	162 .(18)	135 .(21)	144 .(21)
Incremental χ^2 test (p)			12*	20***	2 n.s.	1 n.s.	2 n.s.	1 n.s.	4 n.s.	14**
Number of events	203	57	203	57	203	57	203	57	203	57
Log pseudo-likelihood	−962	−257	−956	−250	−955	−249	−954	−249	−953	−245

[a] $n = 271$.
[b] In millions of dollars.
† $p < .10$
$^{\pm}$ $p = .11$
* $p < .05$
** $p < .01$
*** $p < .001$

> off the ground. So in hindsight we should have never let them come onto the board.

Hypothesis 2 was not confirmed, but the direction of all three coefficients in both models 3a and 3b are consistent with the proposition. This negative result may reflect the strong impact of the crisis, which overwhelmed that of the interactions. It may also reflect the "illusion" of some financial directors who saw a financial silver lining in the economic crisis of 2008. According to some directors, that crisis was actually good news because "you would have much more opportunity [sic] to introduce your new bank to clients" since competitors were currently paralyzed by internal problems. This perception of a silver lining may have offset the more generalized perception that the crisis was bad news, thus helping explain why Hypothesis 2 was not confirmed.

Hypothesis 3 is confirmed in models 2a and 2b. The proportion of directors embedded in local community boards has a favorable effect on the chances of opening the bank. That factor reduces the time required to start a bank for successful groups and lengthens the time to withdrawal for ultimately unsuccessful groups. The result in model 2a for successful groups is consistent with teams with proportionally more community volunteers being more committed to fundraising or receiving more support from their local communities, but also with their having larger community networks. The result in model 2b is consistent with those teams being more resilient in their commitment—despite their ultimate failure.

In agreement with Hypothesis 3, qualitative evidence associated community embeddedness with founder commitment, community legitimacy, and access to local networks (all listed as critical success factors in Table 3). For instance, one CEO of a successful group stated that "[a] sense of community service and of ego were probably stronger than investment motivations." Another CEO indicated that "people specifically invested in the bank because of our mission" and another that "many investors bought the shares for their kids and their grandkids because they liked the idea that this county will have its own bank and take pride in its own bank." Community pride, visibility in community organizations, and connections with the community mission had important motivational implications for resource providers, such as investors.

The size of local networks could be an alternative explanation of the benefit of the community logic because such explanation would not need to rely on values, assumptions, beliefs, or identities derived from the community logic. However, the results of the regressions in Table 9 did control for other factors that signaled larger local networks, such as the proportion of local residents on the board, the size of the board, the proportion of founders with bank board experience, and more importantly, the proportion of founders embedded in corporate board networks, which was actually detrimental to the team's success in opening a bank (Hypothesis 1). This suggests that something more than the size of local networks is driving this result.

In support of this study's interpretation of the results (Hypothesis 3), interviews evidenced that the motivation to use local networks, more than the size of the networks, is what best explains the entrepreneurial success of these founding teams. Having deep local networks is not enough. Leaders of groups that failed to raise the required capital expressed disappointment at the lack of commitment of well-connected key founders that did little fundraising. A proposed chairman of a founding team argued that he had a "stellar board" in terms of its access to key local networks:

> I thought that I had exactly the board I needed. I brought on board this man who is actually a state house representative. He is from a prominent family, and has lots of connections. . . . Well, he didn't bring me one cent of investor money, one cent! I had also a former CEO of a bank. That person didn't bring me, through his connections, $30,000 of investment. That was another big disappointment.

Several CEOs also expressed surprise at discovering that the founders who turned out to be the most productive fund-raisers were often not those with more connections: "The people that I expected to bring more investment did not, and the people that I wasn't expecting brought in all the money." Also suggesting that logics, more than size of networks, is what explains those results is the finding that, in some cases the "meaning" of local networks was expressed in such terms as the founders' "visibility" and "reputation" for being "good guys," "community leaders," or "parents of the community."

As suggested, model 4 shows that, overall, founding teams highly embedded in both community and financial logics are neither more nor less likely to establish a bank. However, introducing the interaction with the crisis variable in model 5 yields results in line with Hypotheses 4 and 5. In economically stable periods (Hypothesis 4), founding teams highly embedded in both logics are less likely to withdraw (model 5b) and somewhat more likely to establish their bank (model 5a). By contrast, in economically turbulent periods (Hypothesis 5), founding teams highly embedded in both logics are more likely to withdraw (model 5b), but

not significantly less likely to establish a bank. Hypotheses 4 and 5 are thus confirmed in explaining withdrawal rates. Although the effect of the crisis on establishing a bank is much greater than that of diversity of logics in the founding team, the effect of diversity, moderated by exposure to the crisis, is not only significant but also remarkable, and worthy of further exploration. The moderating role of the crisis suggests that a precipitating event may be the catalyst for the negative influence of logic complexity to materialize. That such negative effect is observed in withdrawal but not establishment rates may indicate factions at a time of crisis may very well lead to withdrawal—perhaps an ominous sign.

Figure 3 illustrates, both before and after the crisis, the impact of logic complexity in founding teams on team withdrawal rates. Groups highly embedded in both logics affected by the crisis experienced higher chances of withdrawing (see the upward-sloping dotted line on the right side), but those not affected by the crisis experienced lower chances (see downward-sloping trend in the left side's dotted line).

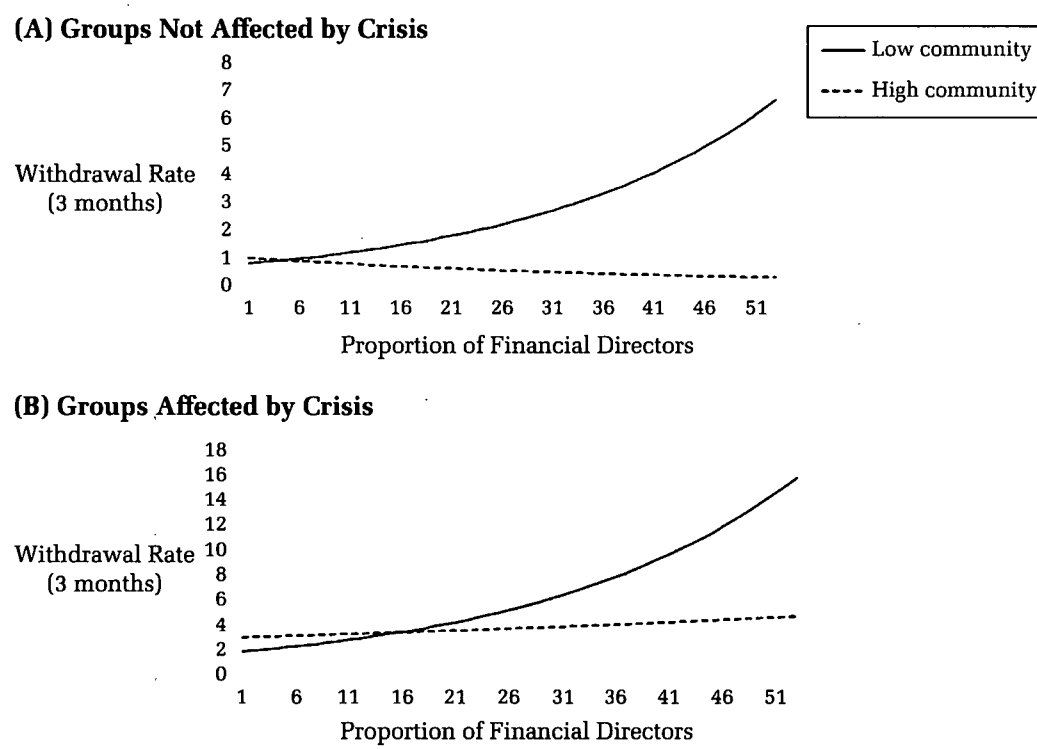
Qualitative evidence indirectly supported the proposition that the integration of logics was easier in periods of greater stability and harder in periods of turbulence. There was evidence that divided boards could lead to conflict, and that such conflict was often sparked by unexpected changes, such as the general economic crisis, that forced members to reassess their joint goals. According to two CEOs, conflict was less likely in stable periods, when a bank or founding group simply executed a preapproved plan, and more likely when opportunities, threats, or performance departed from expectations—for instance, when the team experienced greater difficulty than expected in raising funds, or when it suddenly received an offer to sell the bank. The turbulence caused by the financial crisis, which involved changing expectations, new constraints, and a reevaluation of group priorities and missions, was thus likely to lead teams embedded in both logics to become subject to conflict, and thus to higher withdrawal rates.

The results for the control variables shown in Table 9 suggest that bank board experience, local residence, and more executive experience were associated, not surprisingly, with more establishment success. As expected, teams filing at later dates, especially after the worsening of the crisis in 2008, were less likely to succeed in opening a bank.

DISCUSSION AND CONCLUSIONS

A limitation of this study is the implicit assumption that substantial claims about the identity of

FIGURE 3
Effect of Diverse Teams on Withdrawal Rates



founders can be based on their embeddedness in financial and community institutions. Although the literature on institutional logics supports such an assumption, one would expect some variation in how much institutional values and assumptions get imprinted at the individual level. One would also expect, however, that such variation would be reduced when multiple measures are aggregated to the team level. Intragroup dynamics would be another factor in support of that assumption, since the propensity of individuals to enact specific identities and logics is likely to be stronger in organizations that include members of multiple occupations embodying different logics (Van Maanen & Barley, 1984). In spite of the noise in those simple measures of embeddedness, the model seems to capture a signal reflecting the influence of logics when measures are taken at the team level. This limitation presents an opportunity for further research to explore directly, for instance through surveys, the extent to which embeddedness in logics influences the motivations and values of directors.

Another limitation, one due to the short time period studied here, is the generalizability of the results. For instance, whether the findings on entrepreneurial success can be generalized to more favorable economic environments is an empirical question and thus an invitation to further research. However, as described earlier when discussing the bank establishment variable, founding teams more embedded in community backgrounds and founding teams less embedded in financial backgrounds have been more successful in establishing banks both before and after the worsening of the 2008 economic crisis.

The main findings of this study were that founding team embeddedness in the financial logic decreased the odds of a team establishing their bank; that founding team embeddedness in the community logic increased those odds; and that when teams are highly embedded in both logics, their joint effect on the odds of establishing a bank is contingent on the economic stability or turbulence of the period. In more stable periods, diverse founding boards, with directors highly embedded in both financial and community logics, were more likely to open. By contrast, in turbulent periods diverse boards were more likely to become divided boards and to withdraw from the process of establishing a bank.

The contributions of this study are, first, demonstrating that the institutional logics an organization's founders espouse can have a powerful influence on an important organizational outcome, *entrepreneurial success*, referring in this case to opening a local bank. This is an important point because it establishes a new link between institutional and entrepreneurship theory and because it opens a promising area of research on the subject of how logics affect performance more broadly. Institutional theory has not dealt with entrepreneurial success, both because it is unusual for investigators to have access to founding groups prior to the establishment of the organizations, and because institutional theory has, to date, been applied more to mechanisms driven by social conformity rather than efficiency-related outcomes (Berrone & Gomez-Mejia, 2009; DiMaggio, 1988). Exploring the influence of institutions on founding teams rather than already established organizations could help unveil important mechanisms affecting the "origins and structuring of logics" in organizations (Lounsbury, 2007). This particular setting, that of founders in the prehistory of their organizations, lends itself particularly well to the study of the motivational dimensions of logics, which seem more important to getting community banks established than human and social capital distinctions among those groups.

To study further the impact of logics on entrepreneurial success, researchers may need to find fields, and even better, organizations, that have espoused or integrated more than one institutional logic, perhaps because no particular single logic has become dominant (Battilana & Dorado, 2010; Zilber, 2002). Research on institutional logics has begun to address complex organizations embracing a financial as well as another logic, such as that of the arts, health, or economic development, which endows those organizations with a sense of mission (Glynn, 2000; Golden-Biddle & Rao, 1997; Zilber, 2002). Such complex organizations as for-profit hospitals and microlending organizations need to find ways to recruit diverse professional identities and to integrate those potentially conflicting logics (Battilana & Dorado, 2010). Periods of transition may be especially fruitful for the study of the effect of competing logics. Tilcsik (2010), for instance, explored in post-communist transition economies the effects of market and centrally planned institutional logics. Other scholars may consider studying the impact of other logics in other transitional contexts.

Other institutional scholars could use these insights to explore how different logics, studied in contrasting pairings—such as economic vs. artistic (Glynn, 2000), religious vs. secular (Friedland & Alford, 1991), ideological vs. professional (Zilber, 2002), financial vs. development-oriented (Battilana & Dorado, 2010)—bear on success in establishing organizations, or can affect other types of outcomes, including performance outcomes. Researchers might consider, for example, implications of nonprofit organizations embracing a religious rather than a

secular logic. Those organizations are likely to draw from different types of resources and motivations, which may demand radically different things of them (Pache & Santos, 2010). For instance, a religious logic in an educational institution may arouse and sustain the generous assistance of its founders, and the institution may benefit from an already-established network of resources and a stream of future students. The flourishing of parochial schools and Catholic hospitals in the U.S. suggests a positive link between certain forms of religious logic and success in establishing some types of organizations.

Future research suggested by this study includes the question of how different logics assist or hinder different types of performance outcomes, such as profitability, growth, and efficiency; and for what types of organizations, or under what conditions, such logics would be especially advantageous. This study shows that the relationship between logics and entrepreneurial success, or performance more broadly, may be counterintuitive. Indeed, the logic associated with greater entrepreneurial success in a field of financial organizations turns out to be not the financial logic, but the community logic; perhaps this is the case because this subset of organizations distinguishes itself from standard financial organizations, which are more explicitly financially oriented. Additionally, some economic time periods may be more or less conducive to starting organizations aligned with particular logics. Thus, this study points to the potentially complex relationship between logics and entrepreneurial success, which suggests a fruitful and promising area for institutional research.

This study has left until now the question of whether *entrepreneurial success* is, as defined here, a performance outcome of founding teams. Although it is true that entrepreneurial success is driven by factors at the team level involving both capacity and motivation, and it is also true that all teams had expressly committed at one point to organizing a bank, I am inclined *not* to call establishment success a performance outcome because, at least in this study, it is an outcome biased in the direction of the community logic.[7] Starting a community bank in this turbulent time period was a favorable outcome for a community, but not necessarily for the shareholders who, months after their initial commitment, might see withdrawal as a much more desirable and wiser outcome than establishing the bank.

[7] I am deeply grateful to an anonymous reviewer for this insight.

To address whether embeddedness in financial and community logics has performance outcomes would entail examining additional measures of performance that would be valuable under both logics; for instance, performance relative to budget, rate of survival, size of nonperforming assets, rate of growth, and profitability. It is too early to tell, on the basis of the evidence in this study, whether community or financial logics have implications for those outcomes. Early exploratory work on the impact of founding team composition on the volume of deposits and loans as of the first full quarter after founding does not suggest a performance difference linked to the financial and community embeddedness of directors.

A second contribution of this study is that this may be the first time that variation in logic-congruent founder identities at the organizational/founding team level has been shown to have an impact on an organizational outcome for reasons that can be significantly traced back to those institutional logics. Although other researchers have discussed the link between institutional logics, collective identities, and organizational outcomes (Lounsbury, 2007; Marquis & Lounsbury, 2007; Rao et al., 2003), those studies have focused on the community or field level of analysis rather than the organizational level. This study thus contributes a promising theoretical framework. The embeddedness of directors in institutional logics is likely to transmit a set of values and assumptions that shape a collective identity for founders (Rao et al., 2003; Thornton & Ocasio, 2008) who then carry those legitimate values and assumptions into the founding team, and into the organizations that they found (Thornton & Ocasio, 2008), thereby affecting important organizational outcomes. This new analytical framework bridges the literatures on institutional logics and those on upper echelon theory (Hambrick & Mason, 1984) and team diversity (Bunderson & Sutcliffe, 2002).

A third contribution is exploring the effects of logics in combination. Embracing complexity (i.e., diverse logics) could lead to greater legitimacy and deeper resources from both financial and community audiences, but these favorable outcomes are unlikely when those logics are in open conflict. A contribution of this work to the literature on complexity and ambidexterity is showing how being ambiguous about organizational purpose can mitigate conflict and facilitate the integration of competing logics into organizations, thus enhancing the odds of diverse teams establishing organizations. Further, this study shows the potential impact of exogenous events, such as the crisis of 2008, that alter the expected course of a bank and increase the

chances of factions and conflict. In periods of economic turbulence, new constraints may invite disagreements about the priorities of the organization. Thus, according to the preliminary evidence presented here, diverse founding teams are more likely to establish a bank in calmer periods but less likely to do so in periods of crisis.

Finally, this study refines prior institutional explanations of the endurance of the community logic of small banks in the United States. Marquis and Lounsbury (2007) argued that the expansion of the dominant efficiency logic of larger banks has been resisted by the deep historical roots of the community logic. Those institutional roots have stimulated the formation of new small banks with a community logic to replace those acquired by larger banks. Through my research, I discovered that small bank start-ups are generally influenced not only by the community logic, but also by the financial logic, since some entrepreneurs intend to build banks to sell, rather than "true" community banks. This study contributes to explaining the endurance of the community logic in small banks by showing that founders more enmeshed in the community logic are more likely to establish a bank, and by suggesting that, once they start, those institutions will be more likely to remain as independent and community-oriented banks. Later research could test the extent to which founder embeddedness in community and financial logics influences the exit time horizon of those banks. Thus, dynamics of competing logics in founding teams may be an important area of inquiry for understanding the diffusion and constraint of logics at the field level.

One interesting dimension of the diffusion of logics, as suggested here, is its dynamic character, given the moderating impact of economic conditions. Prior research on the diffusion of institutional logics has tended to focus on sharp transitions in logics, separated by geographic context or time period. This study suggests a more dynamic and potentially fluctuating picture of the diffusion of competing logics in an organizational field.

Practical Implications

At the practical level, this study suggests the value of reflecting on the implications of logics when starting new organizations, or when merging different types of organizations, and the importance of understanding the motivations of partners in entrepreneurial teams. Enthusiastic entrepreneurs in founding teams may find themselves without support from partners when difficulties increase or when the probability of satisfying their partners' hidden goals decreases. In choosing business partners, their motivations and commitment may be as important as their experience and connections. This study also suggests that incorporating mixed motivations and goals in boards and founding teams can be either a curse or a blessing, depending on the degree of hardship that the teams experience, perhaps as a result of unpredictable external factors. More generally, this study suggests the possibility of predicting something about the motivations, values, and goals of founding team members, on the basis of their backgrounds and meaningful connections. I hope that this study can foster more research on the implications of logics on entrepreneurial success and performance and recognizing the link between logics and founder motivations.

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