



Indigenous Theory Uses, Abuses, and Future

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ABSTRACT Management theories developed in the United States and Europe have dominated management and organizational studies. As a result, scholars often overlook subtle cultural and ideological differences in other settings as they treat the theories from the United States and Europe as universal. All too often, as they attempt to apply these theories, scholars ignore critical research questions relevant to groups of people outside the United States and Europe. To overcome this shortcoming, Filatotchev, Ireland, and Stahl (in this issue) propose an open systems perspective that draws on multiple universal theories. Instead, we argue that such a solution does not address the fundamental problem of theories framed within the United States and European perspective. Using more of these theories does not solve this problem and may even exacerbate it. We argue, rather than simply placing bandages on existing theories, scholars should develop indigenous theory based on the distinctiveness of local contexts. The use of indigenous theory can also spur innovations in research methods, enhancing the rigor and relevance of findings.

Keywords: contextualization, indigenous theory, theory building

INTRODUCTION

Theories play a significant role in the development of organizational sciences. Increasingly, researchers have expressed concern that our existing theories blind us to important questions of major interest to many people around the globe. In particular, critics have pointed out the lack of realism and relevance of existing theories to many different settings in the world as the theories do not reflect the realities managers and people face in their daily decision making. In the pursuit of greater relevance, Filatotchev, Ireland and Stahl rightly note the need for contextualization in theory building and application. However, as we reflect on Filatotchev et al.'s critique, we believe that the authors

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have not gone far enough. Essentially, rather than relying on a single universal theory, our colleagues argue that scholars should address global contexts by applying multiple universal theories. Universal theories lose significant richness as scholars move from the specific context in which the theory arose to other settings with different conditions and characteristics. Rather than relying on ever increasing complexity of universal theory combinations, we see a need to return to the foundations of scholarship through the use of indigenous theories that offer detailed and penetrating insights into a given context.

Indigenous theories are context specific, which also enhances their relevance to the specific setting as such theory recognizes the space and time in which the activity occurs. This specificity helps scholars to better understand behaviour, allowing reliable comparisons. Indigenous studies usually adopt a phenomenon-driven approach to understand the issues, actors, and their behaviours in a specific setting. This approach to theory makes indigenous theory realistic and descriptive. Indigenous theory results in theory operating close to action (where decisions are made), making it especially attentive to the complex motives of different actors and the related power dynamics and underlying forces. Thus, rather than adopt Filatotchev et al.'s (2021) multiple universal theory in an open system solution, we see a need for greater development and use of indigenous theory by management scholars.

CONTEXT AND THEORY BUILDING

As Filatotchev et al. (2021) note, nearly all management theory originated in the mature economics of the United States and Europe, and thus embodies a Western perspective (Van de Ven and Jiang, 2011). One outcome of this near exclusive reliance on Western perspectives of theory is to limit the questions management scholars around the world ask (Bruton et al., 2017; Van de Ven et al., 2018) and to set boundaries around the range of answers offered. Daft and Lewin (1990) described this concern almost three decades ago as the straight jacket of existing theory. As a result, scholars overlook important questions on issues, such as the causes of persistent poverty and underdevelopment, of interest to billions of people around the globe.^[1]

In response to this inability to address local issues with a Western viewpoint, scholars have placed 'Band-Aids' on the existing theory arguing that they can adapt an existing theory or multiple theories, as Filatotchev et al. (2021) have argued. This approach has given management scholars an underdeveloped or inaccurate understanding of the behavior and outcomes of human and organizational actions in many regions of the world.

Filatotchev et al. (2021), recognize the need for greater contextualization of theory. However, viewing existing theory as an open system, as suggested by Filatotchev et al. (2021), is still fundamentally making minor alterations to existing theory in the hope it can provide the necessary contextualization. Yet, the challenges persist as the heart of the theory does not address the fundamental problem of applying Western assumptions to an unrelated context. Each of the theories that Filatotchev et al. (2021) addresses (comparative management theory, resource-based theory, and institutional theory) are fine theories in and of themselves. There will be specific situations in all economies in which they are relevant as we will discuss below. But there will also be situations in which the

theories, even employing an open system approach, cannot address the contextualization that is necessary (Zahra and Newey, 2009; Zahra et al., 2014). In fact, some scholars such as Marti and Gond (2018) argue that scholars shape their reality to fit with such Western theories. We argue instead, that scholars need in such settings indigenous theory (Barney and Zhang, 2009; Bruton et al., 2017; Tsui, 2004; Van de Ven et al., 2018).

INDIGENOUS THEORY DEFINED & EXPLAINED

Research reveals different variants of indigenous theory. Building on several definitions in the literature, Van de Ven et al. (2018) define “*indigenous research*” as *scientific studies of local phenomena using local language, local subjects, and locally meaningful constructs, with the aim to build or test theories that can explain and predict the phenomena in their local social and cultural contexts*’ (emphasis is in original). This definition corresponds closely to the ‘emic’ perspective on research, which Evered and Louis (1981) have described as inquiry from the inside rather than the outside (Van de Ven et al., 2018). The definition also suggests that that one should not confuse indigenous theory with what Merton (1968) labels a middle range theory, meaning theory ‘that lie(s) between the minor but necessary working hypotheses that evolve ... in ... day-to-day research and the all-inclusive systematic efforts to develop a unified theory’ (p. 39). While related to the concepts of emic and middle range theory, indigenous theories go further and allow scholars to define new research contexts and phenomena. Indigenous research addresses persistent issues where existing theories developed in other contexts have failed to provide compelling explanations, and to advance an alternative or altogether new answer, to a management problem. Thus, it has been argued in a Chinese context a Confucian focused theory is required to understand accurately many phenomena (i.e., Chung et al., 2015; Jiang, 2018; Sun, 2016). To illustrate the role of indigenous theory, authors have argued that understanding the economic division of labour and the organization of an economy differs in a Confucian-centred economy in a way that does not occur in the West (Sun, 2016). However, since leading journals remain hostile to explanations other than universal theories such that very little indigenous theory has permeated the ‘straight jacket of theory’ that now exists in management.

Management scholars have long assumed that universal Western theories apply to a wide range of contexts (Mills, 1959).^[12] However, the assumption of wide applicability is likely to be inaccurate in some (or many different) settings since such universal theories in fact emerged and are locked into their own specific cultural and ideological context; the universal theories were developed and based on activities in the United States or Europe. Unlike universal theories indigenous theories seek to explain questions, phenomena, or even specific situations in their unique contexts. In doing so, indigenous theory opens significant new research domains and offers unique and often nuanced understandings of different contextualized settings not possible with existing theories. Indigenous theory answers questions that management scholars have not adequately addressed. Below, we will detail one context, extreme poverty, that affects approximately half the world’s population and where indigenous theory is relevant. But, the range of potential domains to which indigenous theory is relevant are virtually unlimited as the context which scholars

developed the universal theories, the United States and Europe, differs from so much of the world.

In contrast to the open systems approach that Filatotchev et al. (2021) discuss, which draws on multiple universal theories, indigenous theory can help scholars discover previously unidentified research topics. Indigenous theory allows researchers to explore new and richer questions or to probe new phenomena that the existing literature has overlooked. In other cases, indigenous theory offers new answers to questions that existing theories cannot answer or fail to address since the questions and answers cannot be generalized to the world and thus scholars treat them as anomalies. Indigenous theory acknowledges that questions it asks and answers it generates may not apply elsewhere. As such, some indigenous theories may remain unique to particular settings and not generalize to other settings. Alternatively, indigenous theories may evolve into midrange or even to widely applicable theories (i.e., applied to many settings) over time as evidence of their correct predictions accumulates. Research on quality circles and TQM, which began with concepts and theories developed in Japan, demonstrates how indigenous theory can become generalizable over time. Japanese scholars, building on their unique context, generated these theories and exported them to other countries including the United States.

Some scholars worry that indigenous theory lacks generalizability beyond the specific context examined, leading some to view it as a 'lesser form' of theory. This reaction is surprising because all theory begins as indigenous theory. The theories that now dominate management scholarship originated from within an indigenous Western setting and reflected a Western perspective, yet scholars extended them to other settings (e.g., global regions). This approach reflects the bias of Western scholars for their own views of the world, requiring other scholars around the world to similarly embrace these worldviews and theories. The role of Western scholars as the gatekeepers to the journals enforces the strong adherence to the theories developed in the United States and Europe.

Some of the theories from the West have proven to be robust as they are applied around the world. For instance, agency theory with its focus on principals and agents has proven useful in settings such as publicly traded corporations around the world that share many characteristics with Western corporations. However, beyond settings in which such homogenization prevails, the applicability of these well-known theories appears to be weaker. Thus, Filatotchev et al. (2021) focus on resource-based theory, a theory proven useful when managers apply a Western rationality, typical of mature economies, to resources. However, when a pure economic rationality is lacking, the uses and sources of such resources do not satisfy many of the assumptions of resource-based theory in a mature economy and thus its application has proved less reliable.

Scholars outside of the mature economies of the United States and Europe must devote a significant portion of their scholarly efforts to searching for situations in which theories developed in Western, mature economy contexts can be applied in radically different context. This search for a relevant context for a theory, rather than answering important questions is a part of the current research landscape in many parts of the globe where researchers study questions about entrepreneurship, international business, strategy and organizational. The scholars outside of the United States and Europe often focus not on developing new theoretical insights but on where theory developed with

a specific cultural bias from Western societies may also apply in different cultural and institutional contexts.

This situation has led Miller and Van de Ven (2015) to argue that the homogenized Western view of management research at a macro level is reducing the variations in the knowledge needed to promote the evolutionary development of management and organizational sciences. The growth of scientific knowledge suffers when journals require authors to adopt a homogeneous brand of Western scholarship in the name of 'rigorous' quality and 'generalizable' research. The scientific community is not monolithic, and no one has monopoly rights to define and impose their view of scientific rigor. Encouraging diversity and variation in management theories and research methods is critical for advancing the evolutionary growth of management knowledge. The work by Filatotchev et al. (2021) does little to address this bias in the existing theory towards settings that do not match the assumptions of the more mature economies of the United States and Europe. Filatotchev et al. (2021), and other scholars who promote universal theories are prioritizing generalizability over accuracy in addressing the context.

INDIGENOUS MANAGEMENT RESEARCH AND UNDERLYING THEORY

Examining existing management research reveals how scholars can successfully use indigenous theory. There are two major streams of indigenous research within the management domain that complement each other. The first stream examines specific contexts (Tsui, 2007), such as a given country (e.g., China) or a specific locale covering a variety of countries (e.g., a region of sub-Saharan Africa). Within this stream of research, the accuracy of the predictions and resulting findings from any given location are more critical than their generalizability. Typically, scholars ground their explanations of underlying phenomena in a thorough immersion in the context, particularly its history, culture(s), and social structures.

The second stream of indigenous management research focuses on a region more broadly adopting different base philosophies than those from the West (Jack et al., 2013). Examples of this research include the ongoing efforts to develop theories of motivation and leadership based on Islam in some Middle Eastern (and other Muslim) countries, and the efforts seeking to explain responses to poverty in Central America and parts of South America from the perspective of the indigenous populations' philosophical perceptions of time. Efforts to develop an indigenous theory of Chinese management grounded in Confucius values also part of this research stream (Cheng et al., 2009). Researchers contributing to this research stream believe that such indigenous views can provide new insights that may have relevance to a variety of other settings. Hence, generalizability in this stream of research is broader than the first stream we discussed but not necessarily global in nature.

These two streams serve different purposes, with the first developing context-specific theories (labelled here as stream Narrow) and the second seeking to advance more generalizable and even universally relevant knowledge (labelled here as stream Broad). However, the two streams complement each other as context-specific theories from the Narrow stream of the indigenous research may over time become more generalizable

Table I. Two research streams within indigenous theory

<i>Dimension</i>	<i>Research Stream</i>	
	<i>Narrow</i>	<i>Broad</i>
Purpose	To develop context specific theories	To advance more generalizable and even universally relevant knowledge
Focus	Examines specific contexts such as a given country or a specific locale. This requires immersion in the setting	Examines a region more broadly with a focus on adopting different base philosophies than those from the West
Criteria	The accuracy of the predictions and resulting findings from any given location are more critical than their generalizability.	Generalizability across similar setting grows in importance
Research Examples	Tsui (2007); Yeh and Belford (2004); Zhou et al. (2019)	Cheng et al. (2009); Jack et al. (2013); Seremani and Clegg (2016)

such as those in the Broad stream of the indigenous research. Scholars whose additional work builds on the Narrow stream can produce a deeper level of commonality in the meaning across cultures. Thus, an indigenous theory that is highly context specific may become more generalizable with repeated testing across different contexts; the development of more specific research serves as a foundation for a more generalizable theory. Table I contrasts these two research streams within indigenous theory.

THE VALUE OF INDIGENOUS THEORY

Thus far, we have proposed that indigenous theory can open the door to theorizing differently or theorizing about issues the literature has not yet fully recognized. To illustrate, consider Figure 1 in which we differentiate between ‘established’ and ‘frontier’ theoretical domains. Established domains are typically issues or phenomena existing or ongoing research has considered. As a result, scholars understand established domains to varying degrees and tend to ask fairly established questions (e.g., How does the intervention of the government influence the development of an entrepreneurial ecosystem?) or new questions (e.g., Where does artificial intelligence fit into corporate strategy formulation processes or how can it improve entrepreneurial judgement? or How will the use of analytics change the composition of the labour force?). Frontier domains encompass emerging issues beginning to receive attention in the literature or deserving such attention but having not yet received careful study. In Figure 1, we distinguish between fundamental and established questions being asked in a given research domain and emerging questions. We believe that Filatotchev et al.’s (2021) article addresses most appropriately those issues that fall in cells 1 and 2 in Figure 1. These cells are useful for examining the

	Established	Frontier
Traditional Questions	1	3
Emerging	2	4

Figure 1. Indigenous research: linking domains and questions

established questions proven relevant to established theory. However, we believe that the role of indigenous theory is best for the frontier issues addressed in cells 3 and 4.

In Figure 1, cell 3 suggests that both streams (see Table I) of indigenous theory can serve a particularly pivotal role in mapping out a new research territory, supporting or disconfirming what we know and how it might apply to local contexts. The value of such theory lies in showing the limits to what we think we know and for answering different questions in new contexts. Thus, a key contribution of this research might be offering an alternate theory or even rival predictions that challenge received wisdom. However, cell 4 in Figure 1 offers perhaps the best opportunity to appreciate the contributions of indigenous theory where researchers can chart new research territories, asking fundamentally new questions. Researchers can develop different theoretical constructs, propositions, and broader (even fundamentally different) interpretations of the phenomena at hand. Some of these theoretical contributions may evolve into middle range or even universal theories over time even though such evolution is not a prerequisite. One can observe some of this research in the context of emerging economies, where new questions about the nature of the entrepreneurial act and how people organize their new ventures, social and otherwise, are being asked. New theories grounded in local settings and focused on achieving economic development and the role of the government in these efforts offer another example.

INDIGENOUS THEORY & FILATOTCHEV AND COLLEAGUES ARGUMENTS

Having discussed the appropriate places for indigenous theory, and the domains where Filatotchev et al.'s (2021) universal theory are appropriate, we should also address Filatotchev et al.'s (2021) specific arguments directly. As Figure 1 indicates, we have some instances of agreement with them regarding when universal theory is appropriate. For example, Filatotchev et al. (2021) argue that corporate governance is a domain where the use of universal theories is appropriate. We generally agree as this research would typically be categorized in cell 1 of Figure 1. Agency theory with its focus on the principal-agent relationship has proven useful in settings such as publicly traded corporations around the world that share many characteristics with Western corporations. United States corporate law has proven powerful and is often copied by other countries. Also, large investors typically invest globally, and their expectations are fairly universal. Thus, in this setting universal theories can be useful.

However, Filatotchev et al. (2021) also identify entrepreneurship as a setting for universal theory. However, the literature is quite clear that entrepreneurs operating in settings of extreme poverty make decisions differently than do entrepreneurs in settings of greater wealth (Sutter et al., 2019). Thus, one could argue that the domain of entrepreneurship for a significant part of the world fits in cell 4 of Figure 1. Even basic assumptions about perceptions of time and risk differ in settings of extreme poverty (Shah et al., 2012). We believe the failure to consider that people in extreme poverty make decisions differently has retarded research in this domain despite the widely held view by practitioners that entrepreneurship is critical to solving extreme poverty, with the universal theories from wealthier economies failing to provide the necessary foundation for this research domain. Therefore, some scholars have recognized the need for new perspectives that bring a richer contextualized understanding to this domain (Sutter et al., 2019).

Similarly, Filatotchev et al. (2021) argue corporate social responsibility as a setting in which the combination of universal theories they utilize can be employed to provide such contextualization. But universal theories typically assume that profit maximization underpins most business actions. Clearly, however, a significant percentage of businesses may prioritize other motives such as sustainability, socioemotional wealth, goals of the larger central government, or even religious values. If a context displaces profit maximization to secondary or tertiary position, the assumptions underpinning our existing universal theories largely are displaced or at least questioned (Miller et al., 2013; Weiss and Bruton, 2021). Hence, we question the use of universal theories to explain corporate social responsibility. Thus, again corporate responsibility, particularly in settings outside of mature economies like the United States or Europe, can be more appropriately placed in cell 4 of Figure 1.

Finally, Filatotchev et al. (2021) argue that in strategy such universal theories are appropriate. However, universal theories are inappropriate in some major domains of strategic management. For instance, one of the key domains of strategic management is strategic leadership of the firm. In China the understanding of leadership must build on the ancient philosophies of the nation (Rindova, and Starbuck, 1997; Van de Ven et al., 2018). The historical context of China and its culture are strong determinants of leadership in this nation, similar to much of sub-Saharan Africa or Latin America. Thus, applying Western philosophical traditions that underpin the universal theories is likely to overlook much of the contextual foundations for leadership choices and transitions in these regions. At a minimum, such an oversight of the contextual foundations would place strategic leadership in the domain of strategic management in cell 3 of Figure 1.

Overall, we argue that indigenous theory offers insights, usefulness, and understanding of a specific context to scholars. These characteristics reinforce each other as indigenous theory opens new areas of research that matter in different settings around the globe. The ability to generate new foundations for research from indigenous theory can substantially expand the scope of management scholarship as it brings important new insights and topics for analysis and understanding. We question whether the universal theories touted by Filatotchev et al. (2021) can offer the same richness in insights.

ILLUSTRATION HOW INDIGENOUS THEORY WORKS BETTER THAN UNIVERSAL

We argue above that research on and understanding of entrepreneurship in a setting of extreme poverty should employ indigenous theory. We examine this proposition in greater detail to exemplify the value of indigenous theory in future research programs. We must note that the setting of extreme poverty is not a small domain. Currently, 24.1 per cent of the world lives on less than \$3.20 a day (World Bank, 2021). If one employs a slightly higher figure for poverty, \$5.50 a day of income, approximately 43 per cent of the world's population lives in poverty. Thus, entrepreneurial ventures in these settings face severe capital constraints and typically a weak institutional environment for entrepreneurial ventures in these settings (Armanios et al., 2017; Mair and Marti, 2009). As a result, scholars typically view entrepreneurship in settings of extreme poverty as substantially different from entrepreneurship in wealthier and more mature economies (Chowdhury, 2021; Mair and Marti, 2009); this recognition has led to the call for the development of indigenous theory for the study of entrepreneurship in extreme poverty (Sutter et al., 2019).

We next identify three areas within entrepreneurship research in settings of extreme poverty, where universal theories do not address the context: the role of family, growth of the entrepreneurial venture, and franchising. We illustrate how indigenous theory development in these domains would greatly enrich the research in and understanding of a domain that affects approximately half of the world's population. While space limitations do not allow the full and rich development of these ideas, our purpose is to help generate appreciation for how indigenous theory can enrich our scholarly efforts.

Family

Scholars have long recognized family as one of the most important concerns in entrepreneurship (Aldrich and Cliff, 2003). The domain of family business research is quite broad (Gedajlovic et al., 2012). But here the point on family is a far narrower concern, centring on whether family support is a beneficial resource for an entrepreneurial venture. The literature commonly views family support as a critical factor in the survival of a business in mature economies (Jaskiewicz et al., 2015). Family business success requires not only moral support (Werbel and Danes, 2010), but also critical resources such as financial support (Steier, 2003), and network ties (Dyer and Handler, 1994).

Scholars have recognized that family support can cause some problems for an entrepreneurial venture. Such support may limit these companies' discretion and narrow their strategic direction to retain family cohesion (Miller et al., 2011), possibly constraining the growth of the venture (Arregle et al., 2015). Family members may also demand special benefits from the firm (Barnett and Kellermanns, 2006). Despite these costs, the support of the family is valuable for an entrepreneurial venture in most cases and is often critical for its survival (Miller and Le Breton-Miller, 2005). Thus, a positive view of family support exists in most of the entrepreneurship literature.

However, to date, scholars have largely applied this positive view to all settings on the role of family as a key source of support for new ventures in mature economies. Yet, this positive view of the family's impact on entrepreneurial ventures is not universal for many

settings of extreme poverty. For example, researchers found that in Uganda, outside of major cities where the poor are concentrated, women often prefer to not have family involved in business (Khavul et al., 2009). The status of women in this setting is such that the business is viewed as owned by the husband or his family. Should the husband die, the business is viewed as owned by the husband's family. Despite her labour, the woman founder is denied ownership. Thus, women in this setting tend to avoid family involvement in the business to the extent possible (Khavul et al., 2009). The status of women is similar in many settings across Africa, especially among the less educated and poor individuals (Joireman, 2008). Thus, while arguments built on the socio-economic wealth perspective are universal in Western contexts, they may not fare as well in a setting such as that of the poor in Uganda and other similar contexts. Local cultures and institutions (formal and informal) may render these arguments invalid. Consequently, if we want to understand entrepreneurs in the context of extreme poverty among women in these settings, we need a new theoretical perspective as existing universal theories are not appropriate for addressing this situation.

Firm Growth

Scholars in mature economies commonly assume that the goal of entrepreneurs is the growth of their firm. These scholars acknowledge that entrepreneurs need to balance the potential advantages of growth against the risks that come with this pursuit (Tan, 2005). The assumption of growth as (the) central goal for entrepreneurs in these economies, in turn, has led some scholars to employ growth in sales as a typical measure of a venture's performance. However, such a focus on venture growth is not common for entrepreneurs in settings of extreme poverty (Singer, 2006), in which the penalties associated with the risk assumed to achieve firm growth are much greater. Should a business fail in mature economies, the entrepreneur may suffer a loss of capital and social status (Ucbasaran et al., 2013). However, in settings of extreme poverty, the severe impacts may include the loss of funds to pay for food or children's school fees.

More fundamentally, entrepreneurs in settings of extreme poverty may not view growth as an objective. Instead, entrepreneurs may use business ventures for a variety of reasons, such as managing risk through the diversification of a family's income stream or as a means of increasing social standing (Sutter et al., 2017; Valdivia et al., 1996). Typically, scholars studying entrepreneurial ventures operating in extreme poverty describe them as survival entrepreneurship (He and Chi, 2013), reflecting the fact that individuals often start their ventures as their only means of survival because well-paying jobs are not available. Yet, such survival ventures do not emphasize growth as a goal as is common with entrepreneurial ventures operating in mature economies (Tobias et al., 2013). The context of these survival ventures is so limiting that most existing universal entrepreneurship theories cannot explain such firms (Sutter et al., 2019).

To illustrate this point, consider the issue of microfinance. The empirical evidence to date on the results of microfinance largely indicates that ventures created from such lending achieve limited financial success or growth (Chen et al., 2017). Researchers have largely examined the success of such ventures in terms of financial success or firm growth employing universal strategies from mature economies (Chen et al., 2017). However, as

we note above, the analysis of ventures created, and of microfinance in general, may require a context specific theory for full and accurate understanding (Battilana and Dorado, 2010). Using the same theory for a venture capital backed venture in a mature and developed economy with strong institutions that protect ownership property and a legal system that safeguards these rights and to explain the behaviour of survival ventures in settings of extreme poverty is unlikely to be accurate. Thus, scholars need indigenous theories that can address the unique context that underpins the impoverished and underdeveloped settings in which microfinance is utilized.

Franchising

Franchising is one of the most widely used means of market entry. Recently, research attention has emphasized the role of franchising in entrepreneurship (Combs et al., 2011; Perryman and Combs, 2012). This interest is the result of its growing importance in the United States economy, generating more than 3.4 per cent of the private sector gross domestic product of the nation (PWC, 2016). In franchising, the entrepreneur (franchisee) pays the franchisor fees to start the franchised business, and then typically some percentage of the revenue over time. In return, the franchisee receives operating procedures and operating systems that the franchisor has developed. Thus, the franchisor develops a successful business model that the franchisee can then utilize without having to experiment to develop it independently. The franchisor requires that the franchisee adhere to specific standards and practices to ensure that the product or service is provided at the expected level of quality and in manner that maintains the image of the franchise. However, the franchisee and franchisor integrate their actions to build a brand with the franchisor that enhances the firm's reputation with the public (Leslie and McNeill, 2010). The franchising success rate of such ventures is much higher than standalone ventures (Sorenson and Sorensen, 2001).

The substantial success of franchising in the United States has encouraged its widespread use around the world (Rosado-Serrano et al., 2018). Kistruck and Beamish (2010) argue that franchising could help solve the income challenges for those living in extreme poverty. However, when Kistruck et al. (2011) examined the topic, they found that existing universal theory poorly explained franchising in settings of extreme poverty. They found that the fragmented markets typical in poverty settings make the advantages of brand standardization less relevant while institutional voids make the monitoring of the firms and enforcement of contracts impractical, and finally resource scarcity makes existing knowledge on franchising from mature economies inapplicable. The authors did not suggest abandoning the examination of franchising in this setting but instead recognized that existing theory does not allow them to develop a rich understanding of franchising in settings of extreme poverty.

Overview

The three examples we have presented above from extreme poverty settings (i.e., family support, growth as a firm goal, and franchising) show that basic theoretical assumptions about entrepreneurship by scholars from more advanced and mature economies often do not apply in these high-poverty settings. Therefore, we question the appropriateness

of applying universal theories to all entrepreneurial settings. The universal theories developed from the Western perspective do not effectively address issues such as those we raised, nor does the solution offered by Filatotchev et al. (2021). The contextual setting of extreme poverty is simply so unique that theories widely used in mature economies provide little or no help in understanding entrepreneurial efforts in this context.

This argument does not mean that a nation with extreme poverty has no situations to which universal theories apply. Universal theories have proven highly successful for explaining situations that transcend nations, such as in research on venture capital. The venture capital industry began in one nation, the United States, and spread around the world by individuals who had initially worked for United States firms (Bruton and Ahlstrom, 2003). The result is reasonably standard venture capital approaches around the world with similar concepts employed in these various settings. Thus, universal theories could help explain venture capital funds even in a poor nation. The differences in the venture capital in such settings can be explained in terms of boundary conditions to the universal theories. However, when studying the poor (a setting that is so different from what is known in mature economies), scholars need new, contextual, and insightful theories. Similar situations exist in a wide range of domains. While here we briefly examine three topics that concern entrepreneurship in settings of extreme poverty, similar situations occur in many other management domains, in a wide variety of contexts that differ significantly from those explained by existing universal theories.

CHALLENGES IN DEVELOPING INDIGENOUS THEORY

While we promote indigenous theory, we need to also acknowledge the challenges facing those who seek to develop and use indigenous theory. For example, parsimony, or ensuring that an indigenous theory is simple and its operationalization both pose significant challenges. Thus, employing Confucius philosophy as a potential foundation for a Chinese indigenous theory (Chen, 2014) or Islamic culture as a potential foundation for theory (Sulaiman et al., 2014) can be a challenge. Over the approximately 2,500 years of the development of both belief structures, scholars have written countless books and articles on the topic. The challenge for scholars is to reduce Confucian philosophy or the Islamic culture to a manageable level on which they can agree.

It is also a challenge to operationalize tests of indigenous theory because, as a new domain, it will likely require new constructs and measures with which scholars may be unfamiliar. Locals' explanations may offer an array of views and conflicting or ambiguous constructs. Naturally, their constructs might be also locally bounded, not easily understood outside the immediate group or locale. For example, regarding the Confucian and Islamic philosophies, there is no common agreement about many of the underlying theological details of either of these philosophies which makes it difficult to develop variable theory and accurate measures. Even when many of the principles are the same, practices and rituals differ widely across the Muslim world because of historic, cultural, ideological and geographic differences. Similarly, many of the universal theories draw from a Judeo-Christian system of beliefs. Hence, scholars developing indigenous theories need to identify and abstract pertinent values that could explain human and organizational

behaviours. In turn, scholars must appreciate the socio-cultural-historic-philosophical context in which these values operate as it influences the mechanisms embodied in the indigenous theory. Thus, the focus on simplicity or parsimony of the theory in turn can limit its generalizability and accuracy (Busse et al., 2017). These factors may impose serious limitations on defining the boundaries of theory. It also makes it challenging to advance a parsimonious theory with valid and reliable measures.

DISCUSSION AND CONCLUSION

Theory shapes the evolution of scholarship in a field as it determines the questions asked and how they are answered, enabling knowledge accumulation and subsequent diffusion. For decades, universal theories developed based on values and norms in the West have dominated management scholarship around the globe (Filatotchev et al., 2021). These theories have proven to be useful, often exhibiting strong predictive powers. However, scholars share a growing concern that these theories may not explain important phenomena or raise research questions from institutional settings that are dramatically different from the contexts in which they were developed, as researchers have acknowledged (Filatotchev et al., 2021). Thus, questions persist about their generalizability, especially in new (e.g., forms of entrepreneurship enabled by digital platforms) and distant contexts (e.g., forms of entrepreneurship in emerging economies).

Indigenous theory offers a useful means through which to gain rich insights into complex and important social and business issues such as alleviating poverty and inducing new forms of entrepreneurship in impoverished settings. These benefits largely derive from indigenous theory's ability to provide new and unique explanations about existing and new empirical phenomena or puzzles (e.g., how do people in underdeveloped markets view the role of the state in the economy, firms' approach to CSR, or the value of institutions that are missing?). Explanations can build heavily on locals' views and perspectives, enhancing our understanding of how they frame issues at hand and how to study them. Indigenous theory also offers deeper insights into different contextual settings than do well-established theories. The contexts scholars investigate can vary widely and include different nations, regions, cultures, and/or economic strata. Our examination of extreme poverty highlighted only three domains where existing theories have proven less than useful for understanding business among approximately half of the world's population. Research on extreme poverty remains a reasonably small domain, even though it affects so many people in the world (Sutter et al., 2019). However, as our analysis makes clear, understanding a variety of other research domains will require fresh questions and insights rooted in indigenous theory. We propose that similar opportunities to build indigenous theory exist in the other domains – CSR and strategic leadership – that Filatotchev et al. (2021). The space does not allow us to develop them into detail as we have done for entrepreneurship, but we hope scholars will pursue developing indigenous theory in those domains in the future also.

Of course, scholars are not limited to the domains identified by Filatotchev et al. (2021). For example, one can argue that China not established a different variety of capitalism but instead a different economic system that integrates the government and all firms in the nation in a way that has no similarity in the West. The Chinese context

is likely one of the few where this system could occur but as arguably the world's largest economy, such a system cannot be ignored (Jiang et al., 2015). The specific examination of China employing indigenous theory recognizing the structural difference in the economy is merited rather than trying to force Chinese scholarship into a framework that is understandable to those in the West by employing theory developed in Western countries. While it may be more understandable in theoretical terms, predicted behaviours are likely to be inaccurate.

One of the key goals of indigenous theory is to provide complementary and new or even rival explanations of important and oftentimes complex phenomena, rather than increasing the fragmentation of management scholarship. Thus, as noted, scholars must be clear on the nature of the theoretical contribution they seek to make as they attempt to apply the theory. To be sure, not all research domains or potential contexts are appropriate for indigenous research. Existing theories have proven their relevance to many domains around the world. For example, as we noted earlier, venture capital has become a global entrepreneurial research topic and existing theory has largely proved useful for understanding it across contexts. A similar argument could be made for corporate governance. While there are unique differences in many places, the active international efforts to ensure some degrees of uniformity through organizations, such as the OCED, have resulted in more similar corporate governance standards around the world (Bebchuk and Hamdani, 2009). Established universal theories such as comparative management theory, resource-based theory, and institutional theory are appropriate in such settings. However, such degrees of uniformity need to be carefully considered and not assumed by scholars. Indigenous theory offers an important means for addressing such rich contextual differences, potentially identifying new ways to answer the questions scholars now have but cannot adequately address using existing universal theories.

Filatotchev et al. (2021), provide a well-argued article. However, we believe that more is needed for theory than they propose; thus, in contrast, we recommend a more fundamental shift in which a new approach to scholarship is employed that we believe will generate innovative research, providing rich and new insights on issues of relevance to management and organizational studies around the world. Indigenous theory requires scholars to embed themselves in the local environment whether they are from that environment or an outsider in a way that existing theory does not. There are numerous examples of published research on management topics in foreign countries in which the author(s), a Westerner, never visits the foreign location or perhaps visits while staying in a five-star hotel for a few days. The scholars in these cases use existing theory developed in Western countries that is not grounded in the reality of the setting; typically, these scholars do not know the context well enough to understand how irrelevant to the context their findings actually are. Understanding the context and employing a theory relevant to the context is critical to establishing the face validity that frequently does not exist in the published research. Obviously, the required methods of indigenous scholarship in such settings will be intense, complex and based in the local context. However, as scholars, we also encourage those who do such theory development and research to enter such environments with a critical eye. The fact that local business managers believe something does not make it accurate. Researchers should respect and recognize local views and explanations but also explore alternative views.

In conclusion, we believe that interest in and use of indigenous theory can lead to far greater understanding of the foundations of many issues, providing a basis for developing rich and new explanations that will serve as a catalyst for more impactful, rigorous, and relevant research. It also helps to address the limitations of contextualization (Zahra and Newey, 2009). In this way, scholars will not only discover more research questions, but their efforts will enable colleagues around the world to participate more fully in academic community and contribute to global management knowledge more fully. In many ways we are pushing scholars to return to the foundations of management scholarship. The original theories we now treat as universal truths began as indigenous theories. Rather than closing the door to other indigenous theories because their own theories were derived first, scholars need to open their minds and their journals to the potential of other indigenous theories from other contexts to come to fruition.

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NOTES

- [1] Even when development activities to address poverty are well planned and supported, transfer of knowledge and theories from USA to other countries has proven to be extremely difficult. Not only do the solutions run afoul of local cultural norms but also, they fail to consider the enormity and causes of issues at hand and the values that undergird them (Sutter et al., 2019).
- [2] Throughout this work we use the terms well-established and popular theories to denote those theories that have been developed in the West and enjoy a high degree of acceptance in the literature.

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