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Feeding on the void: How parasites drive institutional change

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Abstract

Institutional parasites can force institutions to change by creating negative side effects that trigger reactions from functionaries. Answering a call for more research on unintentional institutional change, the present study uses a qualitative analysis of Canada's Startup Visa (SUV) program to investigate the emergence, behaviours, and consequences of institutional parasites. Based on interviews with migrant entrepreneurs, program managers and ecosystem stakeholders, we develop a nuanced model of institutional change where both illegitimate parasitic actors and legitimate hybrid organizations emerge from the same underlying conditions. The study makes several theoretical contributions: we identify institutional voids as a moderator of the emergence of parasites (in addition to complexity, demand and supply); show how these actors use decoupling for concealment to create exploitative immigration factory farms; and details how this proliferation leads to harmful consequences, including the encumbrance of legitimate inhabitants and the stigmatization of the entire institutional field. Our model illustrates how these negative effects create pressure for functionary responses—such as drift and layering—positioning parasites as potent unintentional drivers of institutional change. Finally, the paper provides practical implications for migrant entrepreneurs, ecosystem actors, and policymakers contending with such complex institutional environments.

Keywords: Institutional Parasites, Institutional Complexity, Institutional Voids, Institutional Responses, Qualitative Research

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Introduction

Some institutions fail spectacularly, collapsing under the weight of flawed design or attack. Others carry on for years, only to succumb to a slow, creeping dysfunction. To explain this gradual decay, Rintamäki Parker and Spicer (2025a) articulated the theory of institutional parasites: actors who, over the long term, damage the very institution that sustains their short-term exploitation. They propose that institutional parasites are illegitimate actors (Rintamäki et al., 2025b) that can catalyze unintentional institutional changes, often forcing a reaction from the functionaries responsible for the institution's maintenance. While Rintamäki et al. use examples like essay mills that permeate academia, certain tax avoidance experts helping to offshore their wealth (e.g., Harrington, 2019), and environmental compliance evasion firms (e.g., Soundararajan, Spence & Rees, 2018), they call for in-depth studies in new contexts.

Building on their framework, this study seeks to answer three fundamental questions: How do institutional parasites emerge? How do they behave? And what are their effects on the host institution? Answering these questions can help us to understand how institutions change unintentionally which is critically important to policymakers, entrepreneurs and ecosystem players seeking to understand their environments for strategic advantage.

This study addresses the call by elaborating the theory in a new empirical case study: Canada's Start-up Visa (SUV) program. Similar programs are increasingly being adopted and adapted around the world as governments seek to attract innovative entrepreneurs who can drive economic growth and job creation. These initiatives offer fast-track residency to founders who bring promising business ideas and demonstrate the potential to scale globally. Countries such as the United Kingdom, France, Singapore, and Australia have launched such programs, recognizing the value of fostering startup ecosystems and competing for global talent. This proliferation reflects a broader shift in immigration policy—from focusing solely on labor needs to strategically cultivating innovation and entrepreneurship as a means of boosting national competitiveness in the global economy. However, these programs are not perfect and can be subject to abuse and are often shut down for reasons given like money laundering problems, national security issues, and housing unaffordability.

Using qualitative analysis of interviews with key actors, we explore the presence of institutional parasites and their dynamics within this context. Our thematic analysis confirms that the data fits well with institutional theory concepts. This study draws on a rich set of institutional theory concepts to analyze how complex systems evolve and become vulnerable to exploitation. An output of the thematic analysis is a conceptual model which helps to explain the relationships between the concepts observed, making several theoretical contributions, including many that answer questions posed by Rintamäki et al. (2025a).

Their model develops the roles of institutional complexity, where conflicting institutional logics create uncertainty (Greenwood et al., 2011; Thornton & Ocasio, 2008) and we add institutional voids, which is the absence of clear rules or rigorous enforcement of those rules (Helms et al., 2025; Khanna & Palepu, 2010; Webb, Khoury & Hitt, 2020) as drivers of the emergence of institutional parasites versus legitimate hybrid organizations that effectively blend the logics of more than one institution into its strategies and practices (Battilana & Dorado, 2010; Mair et al.,

2015; Pache & Santos, 2013). The model also connects the effects of functionary responses (drift and layering) to parasitic behaviours reinforcement mechanisms.

The concept of institutional parasites accounts for businesses like essay mills, which exploit and damage the very system that sustains them. Rintamäki et al. (2025a) offers a novel perspective on institutional change, positing that it can occur not through deliberate strategy, but as an unintentional, defensive reaction to actors who exploit systemic loopholes. This perspective challenges the dominant view in institutional theory, which has traditionally focused on explaining conformity and homogeneity within organizational fields through processes of isomorphism (DiMaggio & Powell, 1983).

While established theories account for change, they often emphasize purposeful action. For instance, institutional entrepreneurship frames change as a project driven by actors exercising "embedded agency" to alter their environments (Garud et al., 2007), while the institutional work perspective focuses on the broad, ongoing efforts by actors to create, maintain, and disrupt institutions (Lawrence & Suddaby, 2006). The parasites concept reveals a messier path where change is forced upon an institution as it responds through gradual processes like institutional drift (Voronov et al., 2022) and layering (Mahoney & Thelen, 2010).

Methodology

This section describes the study context, the data used for the study, and the methodology used to analyze the data.

Study Context

The Start-Up Visa (SUV) program is a Canadian federal immigration program designed to attract innovative entrepreneurs who are expected build globally competitive businesses and contribute to the Canadian economy, by offering them a fast track to permanent residency status. For instance, Lee and Glennon (2023) show that the program led to more migration by U.S. founders to Canada. To qualify, applicants must secure a commitment from a designated organization (DO)—either a venture capital fund (minimum investment of \$200,000), an angel investor group (minimum \$75,000), or a business incubator (acceptance into a program). Each start-up team can include up to five founders, each of whom must hold at least 10% of the voting rights in the company and jointly control more than 50%. Applicants must also meet language proficiency requirements in English or French, demonstrate sufficient settlement funds, and actively participate in the management of the business.

The SUV program is selected as the study context because it shows two potential symptoms of parasitic activity (i.e., dysfunctions). Firstly, government data obtained through a freedom of information request revealed that just a handful of DOs accounted for the vast majority of the application volume. For example, in 2022, a single DO accounts for over 15% of all of letters of support provided in the applications received by the government; the top seven account for 67% and the bottom 64 DOs (33%). Secondly, a backlog of applications created an increasingly long waiting time, rising from six months before 2020 to over 37 months in 2023, to 10+ years in 2025. These two symptoms suggest that the program is a good candidate for study because it might reveal details about how institutional parasites emerge, behave, and their effects.

The program also presents a compelling context for studying institutional parasites because it meets the three foundational conditions that enable their emergence: complexity, demand, and supply (Rintamäki et al., 2025a). First, the SUV operates within a multilayered regulatory environment involving immigration policy, venture capital, and innovation ecosystems, creating institutional complexity that can obscure accountability and enforcement. Second, there is strong demand from international entrepreneurs seeking permanent residency in Canada, often under time-sensitive and high-stakes conditions. Third, the program's structure inadvertently creates supply-side opportunities for actors—such as business incubators, consultants, or intermediaries—to exploit regulatory gaps and institutional voids for personal gain. These actors may offer minimal value while extracting fees or manipulating the system, thereby weakening the program's integrity without contributing to its mission of fostering genuine innovation and entrepreneurship. This combination makes the SUV a compelling empirical setting for analyzing how institutional parasites emerge, operate, and affect policy outcomes.

Data Collection

To construct our model, we employed a qualitative approach designed to capture the lived experiences of actors within the SUV ecosystem. The data were collected between May 2022 and July 2025 through a series of in-depth, semi-structured interviews with respondents in six provinces. We contacted SUV program coordinators at designated organizations to interview them and to ask them to share our flyer with their migrant entrepreneurs. With the assistance of a trained research assistant, 39 interviews were conducted via Zoom, a method chosen to facilitate access to a geographically dispersed set of participants across Canada and internationally. This process yielded a substantial dataset, comprising over five hundred single-spaced pages of transcripts, providing a deep well of qualitative data for analysis.

One of our initial research questions sought to understand how entrepreneurs manage to thrive under conditions of institutional complexity. Accordingly, the interview protocol was centered on the pressures that migrant entrepreneurs experienced and how they responded to those pressures. However, as the interviews progressed and themes of exploitation and systemic dysfunction emerged, the focus of our inquiry broadened to encompass the darker aspects of the ecosystem.

Participant recruitment began with a purposive sampling strategy and evolved into a snowball sampling method. A recruitment flyer was shared with initial contacts and respondents, who were then encouraged to share it with their peers. This approach proved highly effective for accessing a diverse range of stakeholders and uncovering a multi-faceted view of the program. While the core of the sample consisted of 22 migrant entrepreneurs (of the approximately 20,000 that have cumulatively applied to the program)—the primary inhabitants of the institution—we triangulated their perspectives by interviewing 12 DO leaders and managers (note there existed 90 DOs in total). To further enrich the data and capture the full complexity of the field, we also conducted interviews with five key ecosystem actors including immigration consultants, business consultants, immigration lawyers, and government insiders who provided invaluable context on the program's design, implementation, and systemic challenges.

Thematic Analysis

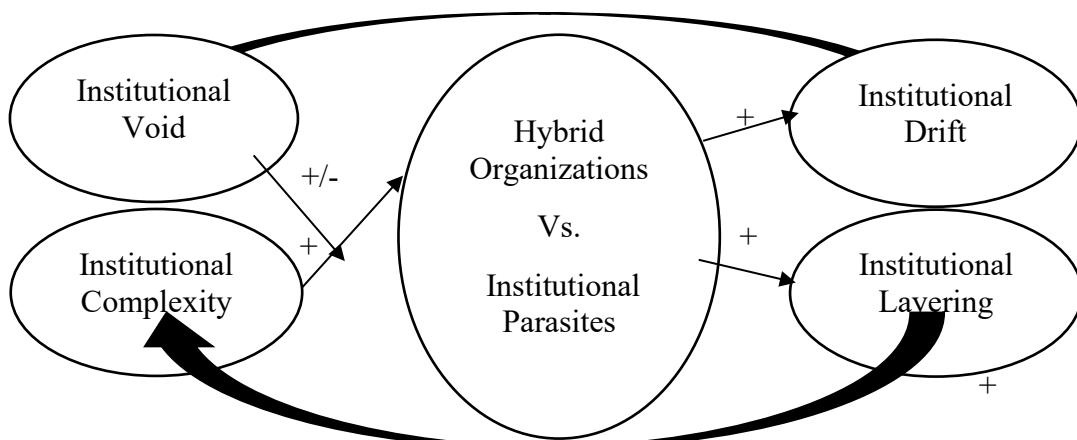
Following the Gioia methodology (Corley & Gioia, 2011) to build theory from cases studies, we began by identifying first-order concepts directly from the interview data, focusing initially on confirming the presence of institutional parasites, their antecedents, and consequences. The first-order concepts were then combined into second order themes informed by the institutional theory literature.

For each second order concept (institutional complexity, institutional voids, hybrid organizations, institutional parasites, and institutional responses), we compiled a supporting table of quotations (not included for brevity) from our respondents. This approach enables us to maintain a strong grounding in respondent-centric terms while systematically building toward higher-order theoretical themes grounded in the literature. Using axial coding, we also extracted supporting quotations for the relationships between all the concepts, allowing us to later develop our conceptual model.

Theory Development

The concepts confirmed by the thematic analysis are combined into the theoretical model in Figure 1, which accounts for the antecedents, moderators, and consequences of institutional parasites.

Figure 1: Conceptual Model of Unintentional Institutional Change



The model begins with policymakers creating a new program that bridges the entrepreneurial ecosystem and the immigration services industry. This act produced institutional complexity, forcing a collision between two competing worlds: the logic of the startup ecosystem—which thrives on speed, risk, and potential—and the logic of immigration systems, which prioritizes rule-following, risk aversion, and meticulous verification. This foundational conflict created an unstable environment where the program's core principles were immediately contested.

Institutional Complexity and Hybrid Organizations

The program displays significant institutional complexity primarily driven by processing delays, increasing from a few months to a few years, becoming incompatible with the pace of startups. Respondents cite "ridiculous" (R1) wait times as long as 37 months for permanent residency. This extended "long period of time is an obstacle" (R31) that has direct business consequences. While founders wait, "competitors are just... passing me by" (R34), and the venture itself can become irrelevant. As one respondent noted, in the three years it takes to process an application, they can become "a totally different person" and may even lose their "passion to become an entrepreneur" (R16).

These delays directly cause a state of founder precarity and create numerous Catch-22 scenarios. Founders are "thrown into unknown territory" (R15), often on short-term (one-year) work permits

with no certainty of renewal (R38). This status makes basic operations impossible: they cannot secure clients or investors who require them to be in Canada (R37), nor can they always open a bank account without being physically present (R29). This limbo forces founders to survive on "personal cash flow" (R14) or, as one respondent starkly put it, "starve" (R1).

Beyond delays, the program suffers from programmatic misalignment and gaps where its rules contradict both startup realities and its own stated goals. A fundamental tension exists between whether the program is meant to import successful companies or resilient entrepreneurs (R1). This confusion is evident in rigid requirements, such as the government demanding direct investment instead of "more suitable" convertible notes (R20). Furthermore, a "massive" gap exists between the "pit of the law and the officers" (R16), where arbitrary decisions, like demanding unrequired International English Language Testing System results, can jeopardize an entire application.

This environment forces founders into a high-stress mode of navigating the system often without official support. The pressure is immense, as "if one person gets rejected, they all get rejected" (R23), creating a constant feeling of "an additional government organization... holding you accountable" (R39). Due to a lack of clear information (R28), entrepreneurs must create their own support networks. One respondent described a "telegram group" of 5,000 people who "all help each other" (R34), illustrating a reliance on peer-to-peer survival tactics.

In response to this complex environment, a set of actors engaged in entrepreneurial activities: the formation of hybrid organizations. Legitimate DOs stand out by adopting a mission-driven approach that starkly contrasts with predatory actors, focusing on genuine business building and long-term founder success, not transactional immigration services. Their best practice is anchored by a commitment to rigorous vetting and program integrity, with some creating proprietary formulas for scoring applicants like a venture capitalist and enforcing accountability throughout the process, even withdrawing support if founders fail to complete the program or move to Canada, ensuring the DO "can actually stand behind" (R39) the companies. This intensive diligence enables the DOs to provide comprehensive and long-term support that extends years "even after that" (R27), with the organization acting as a "hub for entrepreneurs" (R39) that offers hands-on guidance from "Program Managers" (R18) and programming for all stages of growth. Crucially, this support involves active ecosystem and network integration, wherein DOs "did a really great job to open this ecosystem" (R38), providing essential connections to lawyers, accountants, and fostering a peer community, effectively filling a specific "gap... for international entrepreneurs" (R23). Finally, these positive behaviors are often underpinned by a non-profit, mission-driven model, which means the program is "not... a revenue generator" (R39), fees are lower and reinvested, and the core incentive is to "build the tech ecosystem" and "support entrepreneurs... as a whole" (R8), defining the gold standard for the program and successfully "hold[ing] the brand of Canada in a good light" (R18).

These organizations attempt to fill the institutional voids by straddling the competing logics, creating structures that can satisfy the demands of both the startup world and the immigration system. They were often founded with the explicit purpose of addressing the system's failures.

"We started about five years ago... We created our own business incubator here in the [City] region, which already has excellent business incubators, because we saw a gap. And that gap was for international entrepreneurs who wanted to come to Canada, who wanted to get funding, who wanted to get experience, who wanted to build their business here." – R23

To navigate the complexity and signal their legitimacy against a backdrop of opportunistic actors, these hybrids often define their identity in direct opposition to the exploitative models. By adopting a not-for-profit structure, for instance, they formally commit to prioritizing the tech ecosystem over revenue generation, a crucial distinction for entrepreneurs trying to find a trustworthy partner (Long & Sitkin, 2025).

"Another thing is that... we aren't looking... for it to be like a revenue generator that isn't the focus of the program... we're a not-for-profit we are looking to kind of just like build the tech ecosystem... they do appreciate the fact that we're not...like trying to make the most off of them..." – R39

Ultimately, where the official program did not provide clear guidance, these hybrid organizations responded by building their own robust, internal institutions. Faced with vague government criteria around best practices, they developed proprietary scoring formulas to impose rigor on their selection process. To mitigate the risk of rejection within a black-box immigration system, they claimed to have due diligence processes that far exceed the official requirements, creating a self-regulatory mechanism to protect themselves and their applicants from the surrounding institutional uncertainty.

"I actually created my own formula for scoring that... Like how many partners or what is your experience or how big is the total addressable market... I have a whole bunch of my own questions that I would ask them in order to score them on their probability. And I shared that (called a proprietary formula) with many of the other angel groups as well." -R5

"The IRCC agents, everybody tells us our due diligence is way beyond probably what we need. And is well over 100 pages in every single company. So we invest that time and effort to do that because we want to make sure... that we don't have any questions from the IRCC later on..." -R1

In sum, as we would expect from the literature, hybrid organizations are a response to institutional complexity, suggesting a direct effect relationship (see Figure 1).

Institutional Complexity and Institutional Parasites

Institutional complexity, characterized by confusing rules and diffused responsibility, can create fertile ground for institutional parasites to thrive.

The "spirit and intent" (R21) of the program have been "perverted" by "bad actors" (R39) who have created a "sub-industry" (R11) transforming economic innovation into a transactional "immigration scam" (R23). This exploitation is primarily manifested through predatory fee schemes (R13), where Designated Organizations (DOs) and consultants act as "sales guys" (R32) to "upcharge" entrepreneurs, setting "massive" (R12) fees that can reach as high as \$500,000 (R5) for a guaranteed Letter of Support (LoS), which are "hand[ed] out like candy"

(R21). This predatory market thrives because of a systemic failure of due diligence, where the system lacks "checks and balances" (R5), allowing DOs to rely on superficial vetting like "90 second... video[s]" (R36) or "online courses" (R10), creating an opening for "fake" (R37) applicants who "have no notion of the business" (R14) and are only "keeping the company active" (R14) to secure Permanent Residency (PR). The root cause is the program's structural vulnerability and perverse incentives: unlike VCs, incubators "don't invest anything" and have "no accountability" (R13) but are able to "charge and make a profit" (R13). Since "Canadian PR... is extremely valuable" (R11), the DOs' incentive shifted from finding good businesses to maximizing the "most graduates possible" (R11), effectively tailoring the program "more on the immigration side rather than the economic side" (R25). The fallout is significant collateral damage, as legitimate entrepreneurs are "scared" (R27), the program's reputation is tarnished as a "money grab" (R18), and the flood of "scams" (R13) creates "ridiculous" (R1) processing delays of up to "37 seven months" (R1), ultimately threatening to "kill the program" (R1) and causing Canada to lose "some really good companies" (R1).

These actors exploit the system's opaque nature, and the program provides a clear example. The "parasitic era" appears to have begun when a key, complex rule was changed. This change, lobbied for by interested parties who had been "captured by immigration consultants," created the very business model that parasites would later exploit.

"Where this fell apart was originally, the government had been very explicit in saying, you cannot charge access... But then again, at the lobbying of [org] then got captured by immigration consultants. And so [org] advocated that they should allow the incubators to charge a fee to the companies... because the government wasn't willing to pay for the processing costs." -R13

This rule change allowed designated organizations (DOs), specifically incubators, to profit from processing applications. Critically, this new power was not balanced with oversight. This created a structure with a clear profit incentive but no accountability—a flaw that was quickly leveraged.

"The ones that remained... were ones that were getting captured by these consultants... And so really the problem is with the incubators. It's with that stream because they don't invest anything, they don't have any accountability... and they can charge and make a profit off of processing these applications" -R13

With a profit motive established and accountability absent, the complex and difficult task of due diligence became a cost to be minimized rather than a duty to be performed. This led to a diffusion of responsibility, where the core function of vetting applicants was outsourced.

"I kind of characterize this ecosystem or some industry of people who are helping the immigrant entrepreneurs. They're helping them, but they are also businesses actually, you know. The incubators need to make money from the program in order to continue to resource it. And their incentive often is to have the most graduates possible. And they often outsource the due diligence to others. You know, they don't do it themselves either. I mean, it's hard actually when you try to track down the due diligence chain, it almost looks like a lot of people passing the baton." - R11

This passing the baton is made possible by another layer of institutional complexity: the vagueness of the rules. The government and regulatory bodies failed to define what proper due

diligence actually means, leaving no checks and balances to prevent low-quality, but passable work.

I know quite a few incubators that are not delivering the program the way they should be. I know quite a few incubators that are not doing proper due diligence... Where [an association of designated organizations, pseudonym ADO] and the government fell short. They don't have an ability to identify what is proper due diligence... there are no checks and balances of what the word due diligence really means... – R5

This lack of a clear standard, combined with the fee-based model, created the perfect ecosystem for parasitic business models to flourish. Instead of vetting entrepreneurs, a new industry of middlemen emerged to sell letters of support. This often involves direct collusion between consultants and the incubators themselves.

"So that means in that scenario, the Immigration Lawyer is acting like a sales guy. So they're bringing customers... and then also they share the revenue with incubators. So that is they're selling a LoS." – R32

These middlemen exploit the applicant's confusion with the complex system, selling "package deals" that funnel entrepreneurs to partnered incubators, guaranteeing a profit for both parties.

"I looked into it and found that some of these middlemen are charging a large amount as sort of a package deal. They create a partnership with the organization where they will direct the entrepreneurs towards them... they send you in the direction of a random incubator (who they partnered with), then the entrepreneur would have to pay the full package fee to the middlemen and the organization. " – R15

Now, the people that have made this into a factory farm.. and there are a number of those that have done that over the course of years. They've developed a system. They have relationships with agents, with Immigration Consultants, multiple layers of pipelines that constantly feed them clients. – R21

The result is a system where the "long list" of designated organizations—a form of complexity in itself—provides cover for bad actors. The applicant, unable to distinguish the legitimate from the predatory, is easily exploited.

"There's this long list of designated organizations. And the fact is, some of them are not good ones. Some of them are actually, you could call them almost predatory. " – R16

Ultimately, this environment subverts the entire purpose of the program. The system's complexity is weaponized, creating loopholes to be "tricked" rather than an ecosystem for genuine innovation.

"you get a lot of fake companies. So you have to prevent that because that can cause a lot of issues. There shouldn't be a loophole that you can trick immigration to come into the country because that's not what the kind of the program is all about." - R5

To summarize, there is a clear relationship between the program's institutional complexity and the rise of its parasites. The complex, vague, and unaccountable design didn't just allow for parasitic behavior; it created a scalable and highly profitable business model for it. This supports a direct effect relationship from institutional complexity to institutional parasites.

Institutional Voids, Institutional Complexity, and Institutional Parasites

Institutional complexity alone does not guarantee the emergence of parasites. A critical ingredient is the presence of institutional voids—gaps in oversight and accountability—that signal to opportunistic actors that the risk of deviant behavior is low. The program's design created just such a void. This lack of sufficient oversight, an opportunity structure for deviance, essentially gave parasites a license to operate with impunity, knowing that no one was holding them accountable.

Respondents overwhelmingly diagnose a profound governance failure in the program, arguing it is broken by design and suffering from an institutional void where no entity takes effective responsibility. This vacuum stems from the government's abdication of its role, as it was "so hands-off" (R23) and "handed it all over" (R23) to ADO without any effective follow-up or enforcement mechanism (R2). This lack of government accountability means predatory organizations view the situation as a "license" (R21) to exploit the program. The ADO, which was meant to "almost self regulate" (R5), is described as fundamentally unfit, lacking the competence (R2) and being "really slow and non-communicative" (R9), offering vague advice like "'best practices'" (R123) for due diligence, thus failing to provide effective monitoring (R12). This institutional failure is compounded by a flawed program design and vague criteria from IRCC—such as only "three vague ones" (R8)—that create a "loophole" (R35) allowing "fake companies" (R35) to exploit the system, especially since the decision-makers are "not trained in business or in entrepreneurship" (R11). The cumulative effect of the government's retreat, the ADO's ineffectiveness, and the vague criteria is a systemic communication breakdown and disconnect, creating an information "black hole" (R1) where there is virtually "no communication" (R2) from Ottawa, and entrepreneurs—and even the designated organizations themselves—cannot track applications once submitted, resulting in a program without accountability, clear rules, or a reliable flow of information.

"IRCC is not on them, not holding them accountable, neither is ASO. And so they take it, I suspect, as a license to just continue doing what they're doing." -R1

This absence of monitoring extends to the core functions of the designated organizations, allowing them to charge exorbitant fees without providing substantive support in return.

"I think it's with ASO... And also there is not enough monitoring over the designated organizations, their processes, the support that they are providing in return for the great deal of money that they're charging entrepreneurs." - R12

The void is so profound that even the basic metrics for success are left entirely to speculation and interpretation, removing any objective standard against which a DO's performance could be measured.

"There was no oversight or regulation around what metrics to follow. So all of this was up for speculation and up for interpretation" - R18

To operate within these voids, parasites employ decoupling (Bromley & Powell, 2012) as a primary concealment strategy. They create a convincing facade of legitimacy—the polished business plan, the impressive bios—that is completely detached from the fraudulent reality of their operations. They say one thing while doing another. This is not merely cutting corners; it is a calculated "immigration scam" where the entire entrepreneurial journey is fabricated for a fee, and the Letter of Support is the product being sold.

"And if an incubator says, well, we're going to charge you \$150,000, and we're going to give you a Letter of Support... but don't worry about it, we'll figure out what business is good for you. We'll build the business. We'll put together the business plan. ... It's a scam. It's an immigration scam, right?" – R23

The gap between the official paperwork and the actual substance can be enormous is the application is a fiction, written by consultants to create a successful formula for passing immigration checks, not for building a viable business.

"The relationship between what we were told on paper and what these people were presenting was enormous. There's a wide gap... So someone wrote these plans for them, presumably the Immigration Consulting firm. Presumably, they beefed up their bios. And it's been a successful formula for them." – R21

The holes in the system are so large, and so dependent on paperwork that can be generated by consultants, that completely fake founders get approved. The decoupling is absolute: there is a paper company and a paper founder, but no actual substance.

"But the teams that are actually fake... some of them, they don't even know who the other team members are. They don't even know the name of their startup. ... And I've actually seen some of them get their PR. Yeah, but it's not, you know, it's not right." – R37

This fraudulent model has been refined to the point where individuals with no connection to or knowledge of their supposed tech start-up are successfully accepted into the country.

"I have seen startups whose founders have no notion of the business that they're doing. A guy was importing and exporting rice, but he's part of a founding team of a tech company that some people put together and started to make it sound legit" – R14

These insights lead to a clear conclusion. While institutional complexity can lead to the natural emergence of hybrid organizations, the introduction of institutional voids fundamentally alters this outcome. The void removes accountability and risk, creating an environment where the complexity serves not as a driver of innovative hybrids, but as a smokescreen for predatory

parasites to thrive. In sum, institutional voids appear to be a moderator of the relationship between institutional complexity and institutional parasites.

Institutional Responses to Institutional Parasites

Institutional responses to the program's misuse have created a pattern of governmental inaction and flawed policy-making, allowing the "scam" (R13) to become "rampant" (R13). A central critique is the systemic failure due to inaction, as IRCC has been "so slow to take action" (R37) on problems it has known about for almost a decade, a choice some believe is deliberate because the government is "afraid" (R13) of litigation from powerful immigration lawyers, which has allowed the program to suffer institutional drift and become known as an "immigration method" (R12). This issue was exacerbated by other policy shifts, such as closing the Immigrant Investor Program, which "pushed all of the volume of the scams into the SUV" (R13). The government's primary policy change, the 10-cap on applications per DO, is portrayed as a clumsy, "short-term solution" (R16) with severe negative side effects: while some saw it as a "positive change" (R31) necessary to "eliminate the fake startups" (R31), most respondents criticized it for "kicking out the real entrepreneurs" (R37) by dramatically "increase[ing] the prices" (R27) to levels only wealthy "fake entrepreneurs" (R37) can afford, thereby failing to stop the exploitation and being seen as "not fair" (R32) to high-quality incubators. Respondents did acknowledge some minor positive "flexibilities" (R15), such as the move to a 3-year open work permit, which provides a crucial safety net and "alternative option" (R15) for founders, but this layer can be read as covering for a longer wait time caused by the application pipeline being stuffed by fake applications.

The proliferation of predatory actors began a few years after the program's 2013 launch through the capture of designated organizations by immigrant consultants implementing high-volume letter of support sales, with cascading negative consequences. At the most immediate level, they encumber legitimate migrant entrepreneurs, who are either exploited directly or damaged by association. Even if a real entrepreneur avoids an outright scam, they may unknowingly engage with an organization that has been corrupted, tying their future to a "bad actor." This creates an environment of high risk, where an organization's pursuit of easy revenue poisons the applications of the innovators the program was meant to attract.

"...they have such a bad reputation with their due diligence process that 70 percent of the people that receive a letter of support from that particular incubator end up being rejected later on for the stage of permanent residency." – R5

This reputational damage isn't just an abstract problem; it has real psychological costs. It forces genuine applicants into a state of constant fear and uncertainty, unable to distinguish credible partners from predatory ones. The entire ecosystem becomes a minefield, where entrepreneurs are terrified of making a catastrophic mistake.

"So, for me as an entrepreneur in the SUV Program, I'm scared about this organization, really, because I don't know anything about them... Because it

sounds like they don't have any structures... So, I'm always scared that I'm wasting my time on these programs?" – R27

Beyond the harm to individuals, this activity leads to the progressive delegitimization and stigmatization of the entire program. The applications generated by the high-volume incubators clogs the system, slowing down the process for everyone. This damages the program's reputation, and increases suspicion from immigration officers. The system becomes choked with "fakes," creating a toxic narrative that threatens to taint all participants.

For the real founders, it feels as if the opportunists are sinking the ship for everyone on board.

"But the teams that are actually fake, are mostly from immigration companies... Because these things happen when you have the program, the pressure on everybody starts, right. So the real entrepreneurs are also in a boat that is sinking."
– R37

This creates a dual-pressure system on institutional functionaries. On one hand, the success stories from legitimate hybrid organizations encourage institutional drift, where inaction is the easiest path.

"I think, you know, and also some parts of the problem is that IRCC is so slow to take action. I mean, they have known that there has been problems with the SUV, but it took them almost 10 years, right?" – R37

However, drift reinforces institutional voids by giving the message that no action is being taken against institutional parasites, which serves to embolden them.

"And the government knows this, but doesn't want to do anything about it, because a lot of these organizations (especially the scammy ones), are run by immigration lawyers... And so the government is afraid... And so they haven't done anything, but they just dragged their feet, essentially..." – R13

Then, the responses progress to layering, such as changing to the three-year open work permit, which reinforces institutional complexity by now allowing entrepreneurs to take jobs in Canada while they wait for their PR. However, this change also helps the predatory actors by giving them a more flexible product to sell.

"In fact, they made it a little bit more flexible compared to what it was previously. So when I had applied at that point in time, they had pretty straightforward rules like the founders need to be working on the work permit of their own organization only. And they need to be aligned with that. But right now, what I also understand is that they have made it like an open work permit, which also gives startups or founders (in case anything goes astray for their venture) the chance to actually go and find an alternative option. -R15"

On the other hand, the widespread dysfunction and delegitimization caused by high volume incubators create pressure for more significant change. This pressure is what directly triggers more reactive layering. To ease the burden on entrepreneurs caused by processing delays, the 3-year open work permit was introduced, and priority processing was established for applications backed by significant funding or by a select group of preferred incubators. The functionaries also

imposed a cap limiting each designated organization to supporting 10 startups per year. This 10-startup cap was met with conflicting reactions. Some saw it as a necessary, if blunt, tool to curb the parasites.

"The change in the policy capping the number of LoS per year... of course. I would consider that as a positive change because I've noticed that there was a black market of selling their LoS in some of the Incubators. So, this would eliminate the fake startups..." – R31

Others, however, argued that this cap was a "short-term solution" that failed to address the root cause: the fundamental lack of due diligence.

"In my opinion, decreasing the cap was a short-term solution for the visa problem that could have been addressed better by the government. Like....they could have done a better due diligence on the cases... instead of putting a cap on it." – R16

Worse, this blunt instrument may ultimately punish the wrong people. By making legitimate spots scarcer, the cap could inadvertently "kick out the real entrepreneurs" while empowering the very parasites who can afford to buy their way in.

"[T]hese changes, like with the 10 cap limit... it's kind of kicking out the real entrepreneurs... And the fake entrepreneurs, the ones that just pay for their LoS, they have the money to pay for it. So even if it costs something like \$100k, let's say, they can still pay for them." – R37

Thus, the institutional response, itself a reaction to parasitic exploitation, risks becoming another layer of the problem. This cat-and-mouse game continues; by the end of 2023, parasites were reportedly adapting by seeking to "stuff" the quotas of DEs that hadn't reached their limit by "pre-buying" their seats. Overall, this paints a picture of layering having the effect of contributing to institutional complexity.

This ongoing dysfunction, and a separate drive to manage overall immigration levels, led to a final, drastic quota reduction for the entire program, set to take effect in 2026 and 2027. To combat the high-volume parasites who had caused the self-regulatory system to lose legitimacy, the government took back discretionary power by removing the peer review process and eliminating the role of ASO in 2025. This last step looks like more layering to try to close institutional voids.

In conclusion, in this section we showed the feedback loops: how institutional drift contributes to institutional voids, how layering contributes to institutional complexity. It also suggests that while true reform has not yet happened, the wait times in 2025 of 10+ years suggest that the program is effectively dead anyways.

Discussion

To understand institutional change in Canada's Start-Up Visa program, we conducted a qualitative study of program insiders and developed a conceptual model (Figure 1) illustrating key concepts and their interrelations. The program's launch introduced both institutional complexity and institutional voids. While complexity fosters hybrid organizations, it also enables institutional parasites. Institutional voids moderate this dynamic, increasing the likelihood of parasites over legitimate hybrids. These two organizational forms coexist: hybrids drive institutional drift, deepening voids, while parasites prompt institutional layering, which further amplifies complexity and triggers reform efforts aimed at addressing the voids.

This section elaborates the study's contributions to theory as outlined in the introduction section. It also proposes some implications for practice, limitations, future research questions, and then concludes.

Contributions to Institutional Change Theory

This study builds on the institutional change literature by elaborating the concept of institutional parasites as unintended driver of institutional change.

Emergence of Institutional Parasites

This built on the nascent theory of institutional parasites by refining our understanding of how they form, behave, and impact their host institution. Responding to calls for research on parasite emergence in new contexts (Rintamäki et al., 2025a), this study builds on the three necessary conditions for the emergence of institutional parasites: institutional complexity, demand, and supply. Our key contribution here is to specify the precise relationship between institutional complexity and institutional parasites. We find that complexity is a necessary but not sufficient condition for institutional parasites. The true catalyst for parasite emergence is the interaction of high complexity with significant institutional voids. Institutional voids moderate the relationship between institutional complexity and institutional voids.

- Institutional Complexity provides the cover—the confusing rules, vague standards, and diffused responsibilities that allow parasites to hide.
- Institutional Voids provide the opportunity—the lack of oversight, monitoring, and accountability that signals to deviant actors that the risk is low

Behaviours of Institutional Parasites

We also clarify the mechanism of parasite operation: decoupling. Parasites leverage the ecosystem's voids to present a facade of a legitimate hybrid organization while substantively violating the program's core purpose.

This decoupling is not passive; it is an active entrepreneurial strategy pursued by "immigration consultants" and complicit organizations who symbolically comply with rules to create immigration "factory farms". This behavior has severe, cascading consequences. It leads to the delegitimization and stigmatization (Vergne, 2012) of the entire institutional field, which legitimate stakeholders come to view as a joke and a wild west. This, in turn, encumbers genuine migrant entrepreneurs, trapping them in a "maze without a map," forcing them to navigate bureaucratic overload and rampant exploitation. The institutional parasites' motives appear to be profit, not ideology. They do not appear to hold grievances against the system, nor do they seek to destroy the institution they feed on. For example, if a DO sold 1000 Letters of Support for \$60-300k that would bring in \$60 to \$300 million dollars.

Consequences of Institutional Parasites

Finally, our model contributes by showing how institutional responses create feedback loops that shape the ecosystem. Parasitic activity triggers responses like drift, layering, and reform. These responses, in turn, alter the conditions for parasitism.

- Institutional drift further exacerbates institutional voids, encouraging more decoupling and strengthening parasites.
- Institutional layering reinforces institutional complexity, which can inadvertently create new, more sophisticated loopholes for parasites to exploit.

By explaining the emergence of parasites, their concealment methods, their complex relationship with other actors, and their role as a potent, if unintentional, driver of institutional change. The notable lack of true reform suggests that institutions can die a slow death through drift and layering and do not necessarily require reform, but time will tell.

Study Implications

Implications for Entrepreneurs

The implications for entrepreneurs navigating the program are profoundly shaped by a dual reality, hinging on the authenticity of both the entrepreneur and their chosen DOs. The ideal outcome, mutual support and success, occurs when a real entrepreneur partners with a legitimate DOs, fostering a relationship geared towards genuine business growth. However, when a real entrepreneur encounters a predatory DO, the result is often frustration and exploitation, as their legitimate business goals are sidelined by the DO's extractive practices. Conversely, the dynamic between a fake entrepreneur and a parasitic DO creates an immigration "factory farm", a transactional arrangement that undermines the program's integrity by focusing solely on visa acquisition. Finally, when a fake entrepreneur attempts to engage with a real DO, it leads to wasted resources, forcing the legitimate organization to expend valuable time and effort vetting and rejecting non-genuine applicants.

Implications for Designated Organizations

For DOs, the current environment of the program presents a series of critical challenges. Legitimate DOs suffer significant reputational damage by association, as the fraudulent activities of parasitic actors tarnish the credibility of the entire program, making it harder to attract high-quality applicants and partners. Furthermore, being an effective gatekeeper is hard work; it requires substantial time and resources to conduct the rigorous due diligence needed to filter out a high volume of non-genuine entrepreneurs from legitimate innovators. Given these pressures, advocacy for systemic reform is a strategic imperative. Engaging in a collective push for clearer regulations, better enforcement, and greater accountability is not just beneficial for the ecosystem, but essential for the survival and long-term success of the legitimate DOs themselves.

Implications for Policymakers

For policymakers, the shortcomings of the program offer critical lessons. The government's initial abdication of responsibility—outsourcing vetting without adequate oversight—has come at a high

cost, leading to systemic abuse, reputational damage, and the erosion of the program's intended purpose. Furthermore, the official response has demonstrated that layering more rules may not fix a broken foundation; adding new bureaucratic processes like peer reviews has only increased complexity without addressing the core design flaws that enable parasitic behavior. Ultimately, these challenges reveal that the program's very definition of "success" requires a complete overhaul, shifting focus from the sheer volume of visas issued to meaningful metrics of long-term economic contribution, startup viability, and genuine innovation. A fundamental problem appears to be that paper-based verification of startups is impossible, with one respondent commenting that on paper, fakes look better than real entrepreneurs, suggesting the need for "mystery shoppers" or other tools for verifying that real due diligence has taken place and to thus decertify institutional parasites if it has not been done. Moreover, the role of startup founder seems to be confused with other roles like investor and small business entrepreneur suggesting the need for distinct streams or differentiated roles to avoid being stuffed with unsuited and ill-fitting candidates.

Limitations and Future Research

It seems clear that other forms of emergence, behaviour and effects are possible. There are many other potential forms of institutional parasites that should be studied. For example, politicians that use insider information to profit from stock trades. Fundraisers or executives who consume a large portion of donations for salaries or perks. Middle managers who create bottlenecks or protect their turf without adding strategic value. Tenured faculty who disengage from teaching, research and service, but retain full benefits. Administrators who expand bureaucracy without improving education or research. Crony appointments where individuals are placed in positions due to connections rather than merit. There are so many different potential contexts to study and many additional mechanisms may be discovered.

One limitation of this study stems from one of the responses to Rintamäki et al. (2025a). Ritwick (2025)'s *In the Eye of the Beholder*, suggests that while institutional parasites may seem like borderline corrupt actors, it is important to note that they may be viewed as paragons by others. For instance, a functional immigration machine will have plenty of happy stakeholders even if none of the startups succeed.

Another potential limitation springs from Zhou, Wang and Zhang (2025) who suggest that functionaries are sometimes in on it and benefit from the role of institutional parasites. While the present study does not find any evidence for such collusion, it remains a possibility. We did not interview enough functionaries to be able to make any conclusions about such corruption.

Conclusion

Canada's Start-Up Visa program provides a fertile ground for studying unintentional institutional change due to the emergence, behaviours, and consequences of institutional parasites. This study demonstrates how the initial act of creating a program introducing institutional complexity and significant institutional voids, created the ideal conditions for parasitic actors to emerge and thrive. Concealing their motives through decoupling, these parasites systematically exploited the program, leading to the encumbrance of legitimate entrepreneurs and stigma surrounding of the program. The resulting dysfunction, however, ultimately forced a response from functionaries, triggering cycles of drift, layering, and perhaps eventually, reform. By illustrating the full lifecycle, this paper contributes to understanding how parasites form, behave, and impact their hosts, underscoring the critical need for robust governance and adaptive policy design to safeguard the integrity of complex, hybrid institutions.

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