



Contents lists available at ScienceDirect

Journal of Business Venturing



Where did interpretivism go in the theory of entrepreneurship?

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ARTICLE INFO

Article history:

Received 10 June 2016
 Received in revised form 11 May 2017
 Accepted 17 May 2017
 Available online xxxx

Keywords:

Interpretivism
 Entrepreneurship
 Meta-theory
 Process theory
 Intentionality

ABSTRACT

I argue that an interpretivist philosophic approach has been neglected in modern entrepreneurship research, but that such an approach may be most appropriate to the individualist nature of entrepreneurship. Realist meta-theories suffer from issues of paradigm incommensurability that may be at the heart of the present difficulties in defining and delineating the field of entrepreneurship. Interpretivism offers a potentially groundbreaking philosophical alternative that highlights the source of entrepreneurship in individuals rather than in abstract markets, emphasizing emergence rather than presuming opportunity existence. In this paper I defend interpretivism against its critics and revisit the nature of entrepreneurship through this lens. I show that process theories of entrepreneurship are aligned with interpretivist meta-theory, and that their explicit adoption of an interpretivist foundation may better facilitate theoretical progress.

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Executive summary

Interpretivism is the scientific philosophy that social order—including markets and the entrepreneurial processes within them—emerges from intentional action and interaction at the individual level. This view has been overlooked as management scientists continue to try to employ natural scientific philosophy to social concepts. These predominant functionalist approaches have so far been fruitless in producing a robust general theory—a framework that captures all types of entrepreneurship. Theories such as the IO nexus have afforded a way forward, but they continue to run into challenges concerning foundational definitions, underlying assumptions, and their implications. Without an assumptionally strong and coherent foundation, theoretical development in this still-nascent field of research has been hindered. The very definition of entrepreneurship, for example, remains remarkably elusive, with some postulating that an adequate definition may be unattainable. Resolution to these issues is not likely to come from a faithful adherence to the predominant meta-theories. A paradigm shift may be required.

Here I put forth interpretivism as, perhaps, a more appropriate meta-theoretical foundation for the study of entrepreneurship, pointing to their alignment along individualist lines. Interpretivist meta-theoretical frameworks hold to assumptions of nominalism, rationalism, and voluntarism, and generally favor more ideographic methods of research. They accept abstract concepts such as economies, organizations, social groups and structures as concepts only, and reject them as ontologically ‘real’ entities. While epistemologies vary within the broad classification, interpretivists typically presume that knowledge emerges from both experiential (exogenous) and imaginative (endogenous) sources. Interpretivist approaches highlight human intentionality as a key determinant of behavior, in addition to other internal and external causal factors, whereas entrepreneurship’s dominant functionalist paradigm often ignores or rejects intentions in favor of deterministic causes alone. In short, interpretivism sees the social world

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<http://dx.doi.org/10.1016/j.jbusvent.2017.05.004>
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Please cite this article as: Packard, M.D., Where did interpretivism go in the theory of entrepreneurship?, J. Bus. Venturing (2017), <http://dx.doi.org/10.1016/j.jbusvent.2017.05.004>

through a distinct lens of intentionality rather than causality, of ‘becoming’ rather than ‘being,’ and relationships and interactions rather than social entities.

Examining the entrepreneurship phenomenon through this lens, we come to a process-theoretic approach that is quite distinct from the traditional variance-theoretic view. Entrepreneurship is conceived not as a particular event, outcome, or even series of events, but rather as a continually unfolding process, not necessarily tied to any specific outcome (e.g. the formation of a new venture), but to the intentions and expectations of the entrepreneur. Thus entrepreneurship is not caused in a deterministic sense, but is understood to be a chosen course of action toward the subjective ends of the entrepreneur.

The result is a foundation that does not attempt to reify some ‘real’ opportunity or its market context, but rather acknowledges that such concepts are mere artifacts designed for the contextualization and interpretation of behaviors. To understand entrepreneurship, then, we should begin at the foundation—with individual meaning and purpose—and seek to understand why pursuing new value through means such as innovation and new venture creation are sometimes seen as worthy courses of action. Through this alternative lens we gain new insights into not just how and why individuals start new ventures, but also why they pursue other innovative means of satisfying their own ends, such as household innovation, artistic pursuits, and even dating. Such non-market attempts to create new value may fit within the scope of entrepreneurship theory, where constraining entrepreneurship to merely market pursuits confines our theories to retrospective analysis based on one particular (but not necessarily intended) outcome. Thus interpretivism, I argue, is a more robust and assumptionally sound foundation for a more successful and holistic theory of entrepreneurship.

1. Introduction

“[M]any of the generalizations of physics derived from the physical sciences, and made the basis for a philosophy of science, are simply not true for biological phenomena.” — Ernst Mayer.

Scholarship continues to struggle to find a commonly agreed-upon theoretical framework to explain entrepreneurship. Indeed, the very definition of ‘entrepreneurship’ remains widely contested (Shane, 2012). Scholars have recently delved into the meta-theoretical underpinnings of entrepreneurship theory in search of answers, leading, for example, to the present debate over whether ‘opportunities’ are discovered or created. So far, however, inconsistencies continue to plague these approaches; while they have each offered important insights into the entrepreneurial process, we have yet to find a foundation capable to the establishment of a successful ‘general’ theory of entrepreneurship—one that can robustly explain all entrepreneurial phenomena, broadly, while appropriately delineating such phenomena from other fields of study.

As modern scholars debate the virtues of critical realism (Crawford et al., 2016; Ramoglou, 2013; Ramoglou and Tsang, 2016) versus evolutionary realism (Alvarez and Barney, 2013; Alvarez et al., 2014), the interpretivist view has remained conspicuously sidelined. This is, perhaps, surprising because interpretivism is especially oriented toward individualistic and emergent phenomena such as entrepreneurship. *Interpretivism* refers to meta-theoretic approaches that are ‘non-positivist’ (Leitch et al., 2010; Stahl, 2007), aligned on the subjectivist side of the well-known scale of sociological paradigms put forth by Burrell and Morgan (1979).¹ In contrast, *functionalism*, comprising those frameworks that are positivist, positioned on the objectivist side of the sociological paradigm spectrum, attempts to emulate the physical sciences in pursuing causal inferences in behaviors.

Interpretivism adheres to a nominalist rather than a realist social ontology (i.e. social ‘entities’ are not *real* but merely conceptual) and to an anti-positivist rather than an empiricist epistemology (i.e. knowledge may derive endogenously as well as exogenously). It holds that individuals are agentic—their actions are not *determined* by observable factors, although they may certainly be *influenced* by them. Thus social phenomena are viewed as voluntaristic rather than deterministic; thus one’s action, e.g. in conformity (or non-conformity) to social norms, must be understood at the individual level in terms of the meanings individuals give to those actions in relation to those norms. For example, a schoolboy might participate in a game of kickball at recess for various possible reasons (and perhaps more than one), including the mere enjoyment of the game, physical fitness, social inclusion and interaction, or even to impress a girl—all participants may play the game for different personal reasons. We might contrast this with the functionalist approaches predominant in the social sciences, which would offer that the social norm of kickball at recess caused the boy to participate.

A shift toward an interpretivist meta-theoretic approach for entrepreneurship would result in strong implications, both for theory and for method. For example, we might reconsider the definition of entrepreneurship through this lens. Efforts to define entrepreneurship from the functionalist paradigm have resulted in a spectrum of definitions, the most prominent being the creation of new enterprise (Low and MacMillan, 1988) and “the discovery, evaluation, and exploitation of opportunities” (Shane and Venkataraman, 2000, p. 218; cf. Alvarez et al., 2013). Notably, such definitions require that entrepreneurship be conceptualized as a *market* activity. That is, entrepreneurship can only occur through trade, and thus requires the existence of some social ‘reality.’

An interpretivist approach calls for a more forward-looking, process-theoretic definition (Hjorth et al., 2015; McMullen and Dimov, 2013), especially one founded in individual intentionality and expectation rather than on particular events or outcomes (Husserl, 2012). As such entrepreneurship is here defined as the intentional pursuit of new *economic* value (cf. Wiklund et al.,

¹ Burrell and Morgan (1979), in their own typology, put interpretivism at the intersection of subjectivism and the ‘sociology of regulation,’ which pertains to a focus on social order and norms rather than on social change and conflict, which is the ‘sociology of radical change.’ The position taken in this paper is that of Cohen (1968), that the order–conflict debates reflect two different social phenomena (i.e. conformity and non-conformity) that can be reconciled; thus they can, but do not necessarily, reflect the incommensurable assumptions of distinct paradigms.

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