An Essay on the Social Ontology of Collective Entrepreneurship

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La Préambule

This essay is prepared as a supporting document for a presentation to the Professional Development Workshop at the 2014 Academy of Management meetings in Philadelphia, entitled “Social Ontology: Implications for Entrepreneurship Theory, Research, and Practice”. The essay concerns the social ontology of entrepreneurial action by groups; that is, how entrepreneurial teams and other collectives form and act, and what mechanisms of governance hold them together. These issues are fundamental to research on group entrepreneurship, particularly given the emerging interest in microfoundations (i.e. individual-level behaviors) for strategic management and organization theory. This topic is distinct from the social ontology of entrepreneurship scholars – the degree to which they agree on the ontological status of social fictions such as routines and opportunities. The essay is far from publication manuscript status, but the author welcomes comments, critiques, and brickbats from enthusiastic readers.

What is Collective Entrepreneurship?

The term collective entrepreneurship appears only recently in the literatures of economics, management, and entrepreneurship. In a review of the literature, Burress and Cook (2009) note 240 publications that invoke this term since 1964, with more than half the references occurring since 2000. They develop a taxonomy of the motivations for the juxtaposition of collective with entrepreneurship ranging from theoretical development through public policy and political action. Burress and Cook define the scope of the collective as a significant axis in the taxonomy. The scope of the collective action ranges from “intra-organizational efficiency” to “inter-organizational goals” to “economic growth and development” through “socio-political change”. That is, the narrowest scope is the entrepreneurial team or venture and the largest is the social movement. Entrepreneurial joint ventures and public-private partnerships are exemplars of scope interior to the endpoints of this axis.

In the work we are doing in the McQuinn Center for Entrepreneurial Leadership, we take a similar view of the primacy of organizational scope, though we are less interested in those collective actions where the benefits are not appropriable by the members of the collective. In all entrepreneurial ventures, social and public benefits may exist but as

1 This section and the next draw upon a paper prepared for the Special Workshop of the Strategic Management Society on Microfoundations, Copenhagen, Denmark, June 13-15, 2014. That paper is not published at this date.
a phenomenon to be studied, they are more à propos to social movements research. We recognize, on the other hand, that social movements provide opportunities for entrepreneurs to act, perhaps as a collective, and to appropriate entrepreneurial rents (Weber, Heinze, & DeSoucey, 2008).

Let us consider three forms of collective entrepreneurship and the explicit boundaries they engender. The first is the entrepreneurial team that collectively founds and manages an organization. Reich (1987) correctly notes that the preponderance of entrepreneurial ventures are not founded by the iconic “lone inventor”; most new ventures represent the combined efforts of a number of individuals – though their particular levels of investment may vary. This view is elaborated by Ruef (2010), who begins his treatise on group entrepreneurship with Toqueville’s vision of an associative culture in America and describes the phenomenon of collective action among “co-founders, employees, investors, advisors, or unpaid helpers” (p. 13) to create new firms. Ruef develops a model of the relational demography of group adhesion to the shared venture that is built upon four key elements: structure (roles and contracts), strong ties (networks and trust), homophily (shared characteristics), and identity (shared subjective beliefs and goals). We find this model to be a useful point of departure for collective ventures, within and between firms.

The second common instantiation of collective entrepreneurship is the cooperative form of organization. Most of the examples of this type of organization arise in the agricultural sector, where cooperatives have more than a century of importance to the American and European economies. Agricultural cooperatives have been institutionalized as a form of collective action to counteract market power in the markets into which farmers sell and from which they purchase inputs (Knapp 1969, 1977; Nourse 1942). The traditional cooperative had farms as members of the collective enterprise, with one membership/voting share for each farm. Note that this is a different form of collective than the entrepreneurial team, as the members are themselves individual farms.

Some recent research into cooperatives as entrepreneurial collectives raise the question of whether such organizations can act “entrepreneurially” in the face of changing market conditions (Bijman and Doorneweert 2008, Cook & Plunkett 2006, van Dijk 1999, Nilsson 1999). One interesting conceptual issue raised in these papers is whether entrepreneurial activity (innovation, new products, new markets, etc.) occurs at the level of the collective as an organizational strategy or at the level of the individual member-farmer. This is a particular instance of the broader question of whether actions can be taken by groups or only by members of the group – the central tenet of methodological individualism.

Both the entrepreneurial team literature and the entrepreneurial cooperative literatures require the establishment of a firm as the “envelope” around the collective action. The entrepreneurial firm discussed by Ruef has a social identity, as well as legal status. The same holds for the agricultural cooperative, which under various statutes in the United States, is organized as a corporation. The “membrane” around the collective action is an organizational form.
The third form of collective entrepreneurship in the literature considers collective action without this membrane, and overlaps with Burress and Cook’s category of “economic growth and development”. We might call this networked entrepreneurship. Networked entrepreneurship, as we see it, follows closely the model proposed by Johannisson and colleagues in describing a geographically delimited, networked community of entrepreneurs that jointly enact their business environment in common (Johannisson and Dalhstrand 2008; Johannisson, Ramirez-Pasillas and Karlsson 2002). These networks include research parks and industrial clusters. The members of this collective form are typically firms or strategic business units rather than individuals.

The motivations to form, and to participate in, collective entrepreneurship ventures are typically modeled as rational actor theory. One joins the collective only in the expectation of payoffs superior to individual action. This point is central to the foundational literature on collective action (Olson 1971, Ostrom, 1990). The rational actor will not engage in collective action without sufficient appropriable gains. Altruism is generally insufficient to maintain the collective; the members of the collective will actively bargain over sharing of the costs and benefits of the incipient collective action. Olson (1971) opens his treatise as follows.

“The idea that groups tend to act in support of their group interests is supposed to follow logically from this widely accepted premise of rational, self-interested behavior. In other words, if the members of some group have a common interest or object, and if they would all be better off if that objective were achieved, it has been thought to follow logically that the individuals in that group would, if they were rational and self-interested, act to achieve that objective... [U]nless the number of individuals is quite small, or unless there is coercion or some other special device [italics added] to make individuals act in their common interest, rational, self-interested individuals will not act to achieve their common or group interests”. (pp. 5-6)

To what degree are the mechanisms proposed in Ruef’s (2010) relational demography – homophily, shared identity, strong network ties, and structure and roles — the special devices that hold members in collective entrepreneurial ventures? In the section that follows, we are interested in whether the mechanisms of Ruef’s group (intra-organizational team) relational demography can serve the same function when the members of the collective are firms. One must take care here to be certain that the substance of the four proposed mechanisms is not altered significantly when applying the model to firms (themselves collectives) rather than individuals. We believe that Ruef’s model of relational demography is uncontroversial when applied to teams. We need to justify the application of the mechanisms to collectives of firms.

Following a brief discussion of some active projects wherein we test the applicability of relational demography for collectives of small firms, I will address the fundamental questions that arise from doing research on group entrepreneurship, including the following. Can groups form collective intentions and act, or are intentions and actions solely realizable at the level of the individual members of the group? Is group agency -- as in “Apple introduced the iPad” -- simply a metaphor or can we validly model firm-level decisions and actions? These are the fundamental questions of social ontology, they way that analytic philosophers see the antecedents, structures, and outcomes of
group agency. As such, this is foundational (dare I say micro-foundational?) to doing sound research on collective entrepreneurship.

Collectives of Firms for Collective Entrepreneurship

What happens when the "group" of entrepreneurs consists of organizations, and the objective is creating a shared identity that generates entrepreneurial rents arising from joint/collective activity? One economic sector has used collectives as a generic strategy to redress competitive disadvantages, particularly where significant scale disparities exist: agriculture and food. For more than a century, farmers have joined collectives – agricultural cooperatives – to combine their small scale enterprises into economic units of sufficient scale to countervail the power of the suppliers of inputs and buyers of farm products. These archetypal collectives are being joined by other forms of collectives, where groups of latent competitors find themselves considering the benefits of building a shared sense of identity, image, and reputation. These may be regional wineries attempting to establish a new appellation, organic vegetable growers forming direct-link supply chains to commercial buyers, or livestock producers seeking to exploit strategy space arising from social movements (Weber, Heinze, and deSoucey 2008), the individual organizations seek the value-added benefits of a joint identity and collective action.

This strategy has several challenges to the individual firms. First of all, such collectives must identify the particular common features or characteristics that will form the basis of a clearly defined sense of "who we are" and "what we are about". The process by which a nascent (well-bounded) new venture constructs an identity is challenging enough, but when the organizational boundary includes several organizations, each with their own identity, the social construction of the collective identity is more complex. What will be the basis of the collective’s sense of self? How will this be decided and governed? Moreover, we anticipate that there will be an inherent tension between the collective sense of "who we are" when the members of the collective have created their own firm identities, brands, and reputations. Does a strong joint identity (e.g. the Hermann Wine Trail) create value for particular winery, or should that winery put all its resources into building its own identity-based reputation? Some might see the collective identity as a competitor to the individual firm ("what do we lose by joining with these others"), while others would see this as an "additional identity". These are important empirical questions and we use the concept of strategic balance developed by Deephouse (1999) as a tool for answering these questions our ongoing projects.

The McQuinn Center for Entrepreneurial Leadership is participating in two research grants that were awarded this spring by the National Institute of Food and Agriculture. One project – Collective Identity and Collective Entrepreneurship for Agricultural Producers, NIFA Award # 2014-68006-21838 – is centered at the University of Missouri and has Illinois State University as a partner. The second project -- Collective Entrepreneurship for Small and Medium-Sized Farms, NIFA Award # 2014-68006-21863 – is centered at Michigan State University and the McQuinn Center is a subaward / partner. In both grant applications, the promise of empirically testing the application of Ruef’s relational demography to collective entrepreneurial ventures was significant to the scoring of the proposals and consequent awards.
In the first project, we specifically test shared identity as the mechanism for group solidarity. We hypothesized that for a particular type of collective venture, wine trails, the development of a shared identity was the basis for collective actions that include joint advertising and promotions, shared events, interlocking recognition of other members’ locations and products, and brand-building. Analysis of the first dataset collected, from eight wine trails in Missouri, confirms the hypothesis. At the same time, we confirmed that these collectives are not held together by structures or contracts; these groups are not incorporated and remain voluntary associations with collective commitment. We can find no obvious form of homophily that acts as the special mechanism. We will continue to test the relational demography model in other wine-producing regions of the US over the next three years. We will also test strong network ties as the special mechanism that is salient to the entrepreneurial development of the artisanal cheese industry in the US since the 1980s. Interestingly, we hypothesize that the most influential network ties are among artisanal firms owned and managed by women and that the matrilineal development may be a distinct element of some collectives within the national industry.

In the second project, we examine a specific genre of collective entrepreneurial venture: the food hub. These groups are distinctly heterophilous. Their memberships include small farms, commercial buyers and institutional kitchens, local consumers, farmers markets, and artisanal food producers. The lack of homophily implies the need for formal structure and/or contracts to hold the collectives together. Their formation – a very recent phenomenon in the US – may have significant network effects. This is the working hypothesis for the research that will begin this fall.

Notwithstanding the particular interest that I and my colleagues have in entrepreneurial ventures by collectives of small firms, the relational demography model should prove to be an interesting framework for studying collective entrepreneurship in start-up teams, formal and informal teams within large organizations, and other groups and networks. Regardless of the nature of the group membership, if we pursue empirical research into group entrepreneurship, we must consider the questions by the microfoundations project that has been active in the literatures of strategic management, organization theory, and institutional/evolutionary economics over the past six years or so. See, for example, Abell, Felin, and Foss 2008; Barney and Felin 2013; Devinney 2013; Felin and Foss 2005, 2011; Foss and Lindenberg 2013; Greve 2013; Winter 2011, 2013.

The next section deals with the microfoundational issues of individual versus collective intentions, agency, and action. The discussion will be focused on entrepreneurship as a function, rather than on the narrower definition of founding new firms. Thus, it will be important to understand the social ontology of group entrepreneurship in the contexts of groups size: tiny, self-selected teams; larger groups that may have formal legal structure; and very large organizations.

A Windshield Tour of the Social Ontology Literature

In the past two decades there has been a great deal of attention paid by philosophers to the questions raised above regarding group intention, group agency, and group action.
These philosophers have ranged in interests from metaphysics to decision theory to political theory to the philosophy of the social sciences. At the boundaries of this corpus of philosophical scholarship one can find contributions from economists and researchers into decision theory. In this section, I will provide a modest, though sincere, appreciation of this literature.

My recommendation to someone entering into this field of inquiry with an interest in collective entrepreneurship or the microfoundations project is to begin with four contemporary, and nearly contemporaneous, books. They are listed below and full citations are in the reference list.

Michael Bratman’s (2014) Shared Agency: A Planning Theory of Acting Together
Margaret Gilbert’s (2014) Joint Commitment: How We Make the Social World
Raimo Tuomela’s (2013) Social Ontology: Collective Intentionality and Group Agents

I recommend the four books for two reasons. First, each represents the considered and well-written culmination of many years of work on the subject for the respective authors and their collaborators. Each is written with the helpful markers of an author’s personal hindsight in describing the development of the important claims in the book in relation to prior publications, including journal articles and other manuscripts that may be harder for management scholars to access, both physically and intellectually. Second, each of the authors takes care to express how their conceptions of intentionality, group agency, and other elements of social ontology relate to the conceptions of other authors, especially the others in the short list above. For those who suspect that philosophers write for the purpose of calculated obfuscation, one will find that these tomes contain clear, precise descriptions and arguments. And that clarity is extended to direct comparisons with descriptions and arguments of others. Finally, the fact that these books are published virtually contemporaneously permits the reader to see how they relate to a common heritage of cited literature at the same point in time.

I recommend reading all four books for two reasons. First, each author creates a different structure for the collection of individual intentionality and decision-making into group agency. Some are more explicitly grounded in methodological individualism with concomitant attention to translating individual rationality into group intentionality. Some have an implicit time dimension to the group; the collective exists either in advance of the shared intention (for a specific action) or forms contemporaneously with the development of the shared intention (e.g. a strategic plan). Some authors are explicit that their collectives are large (e.g. corporations or communities) or small (teams). Second, as researchers into entrepreneurship or organization theory observe the characteristics of the collectives in which they are interested, they will observe structures and motivations that will conform better to one approach than the others. If we know only a single philosophical approach to social ontology, then our models may fail in description, explanation, or prediction. As Kenneth Burke (1935) taught us, any way of seeing things is a way of not seeing.

Before giving a brief précis of each book, permit me a parenthetical departure on individualism and reduction. For readers that have been immersed in (or, at least have
been drenched in passing by) the recent literature on microfoundations, one will recognize a preference for micro- or individual-level explanations of firm-level phenomena and a suspicion of holistic (i.e. firm- or system-level) explanations. Some of this arises from *a priori* preferences for methodological individualism, which is, quite frankly, thoroughly entangled with ontological individualism. Reductionists claim holistic explanations are “mysterious” because all actions must necessarily be rooted in individual mental processes and individual actions. To take it further, all group mental processes (including intention) and actions *supervene* upon the individuals in the group and therefore, it is sufficient to study the individuals. Ariew and Westgren (2014) note that this echoes decades of debates within the philosophy of science with respect to the physical and natural sciences. However, it is a settled matter that supervenience is not sufficient to explain system-level outcomes and that researchers should not proceed with an *a priori* preference for reductionist or holist explanations. Rather, Ariew and Westgren maintain that the choice of level of analysis is dependent upon the *explanandum* and the availability of well-confirmed methods for a micro- or macro-level *explanans* – an *a posteriori* approach.

The important feature of the approaches to group agency and collective intentionality is that they are testable, because they are explicit in the assumptions that define each approach. Group intentionality does not arise mysteriously from the intentionality of the individuals. Group agency is likewise explicit; the actions are the individuals’ actions governed by shared intentionality and shared understanding of the outcomes, or they are the actions of a group agent serving the collective intentionality. This is much superior to proposing an “emergent” group behavior that is not made explicit, but is inferred from observed group outcomes. And it is certainly superior to an approach that invokes a thoroughly mysterious relationship between levels of aggregation, like critical realism.

In the fifth chapter of her book, Gilbert (2014) relates a brief history of the literature surrounding joint intention, noting that the late 1980s and early 1990s were the era of initial forays into the joint actions and shared beliefs that are reflected in the more highly elaborated accounts of social ontology available to us. She also speaks to the permeability of the boundary between philosophy and the social sciences that fueled much of the early work. I find her history undersells this latter point relative to what one sees in the broader literature. My reading leads me to believe that economists and decision scientists provoked significant interest due to the difficulties they encountered with standard accounts of game theory. Could participants in well known games (Hi-Low, Hawk-Dove, etc.) obtain joint outcomes that are superior to Nash equilibria, which were obvious “on paper” but not often observed. I recommend the article by Gold and Sugden, which is a particularly useful entry into the literature, particularly with respect to game theoretic approaches to team decisions. Gold and Sudgen also deserve particular mention for the editing and completion of Michael Bacharach’s (2006) superb book on team decisions as a particular form of framing of game theoretic problems, which is of particular interest to management scholars who are interested in modeling group entrepreneurial decisions in game theoretic terms. See also Weirich (2010) for an excellent presentation of rationality of group decisions in games.

Gilbert has a particular account of social relationships that lead to group intentionality and group agency. She invokes commitment as the way we can create and enforce
group intentionality to act. She makes it clear that her account is more than “concatenation of individual intentions” and commitment engenders some obligations and rights that are shared among the members of the group, and that this implies that individuals have obligations to perform to fulfill their commitments. Because her account is not limited to small groups, it serves to describe necessary conditions for collective action in large organizations and collectives. The first two chapters, on joint action and joint commitment, are clear and concise treatments of her commitment account that supports the presentation of shared intention – chapter 5. Chapter 5 is also notable for the intensity and depth of her analysis of the differences between her approach and Bratman’s.

Michael Bratman proposes an interesting account of shared intentionality. Rather than relying on pre-existing commitment, as Gilbert does, he proposes that we move from a state of “I intend that we (do) J” – an individually held intention – to mutually held intentions that “I intend we J and “you intend that we J” because we mesh our intentions in the form of a plan. One can immediately note the appeal of such language for researchers that suckled at the breast of strategic management. Bratman calls his approach “modest sociality” and he defends his planning theory of group agency as requiring a rather straightforward instrumental connection condition among the members. It doesn’t need socially complex “glue” to hold it together. But, in a particularly useful section on network connections, he makes it clear that network ties, absent intention, are not sufficient to effect group agency. One sees that this account works best with small groups so that intentions (behaving as sub-plans) can be meshed into a plan (shared intentions) for a specific outcome (“J”). Again, one can easily see the merits of this account for modeling founding entrepreneurial teams for whom knowledge and intention are shared and transparent.

List and Pettit’s account is much different from Bratman’s. Pettit is a political philosopher and has written extensively on republicanism and voting. He and List propose an account of large group agency, which relies on structures, voting rules, and design based upon three necessary desiderata: the epistemic desideratum (a member of the organization must be able to form true beliefs about the organization’s strategy, decision-making, and performance), the incentive-compatibility desideratum (this follows directly from principal-agent theory), and the control desideratum (think of Chester Barnard’s “zone of indifference”). The book addresses specifically the nonmetaphorical agency of a corporation and throughout the account the authors relate their arguments to corporate entities. While this account of social ontology may have nothing to offer researchers interested in small start-ups, it holds promise for the overall microfoundations project and for study of the entrepreneurial function within large organizations. I am intrigued by the implications for organizational design that supports, sponsors, and controls new entrepreneurial ventures – when those ventures represent an intention shared by a minority of corporation members.

The fourth book to consider is Raimo Tuomela’s exceptionally complete and clear account of the difference between I-intentionality and we-intentionality. In contrast to Bratman and List and Pettit, Tuomela drives a conceptual wedge between individual intention (as insufficient for collective intentionality) and intention that is only held collectively – it cannot be reduced to individual intention. That is, compared to the other authors, he is not a methodological individualist. As early as the preface, he
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denies List and Pettit’s account of group agents and group agency, which doesn’t require the existence of we-mode thinking. In fact, one of the greatest merits of this book is the explicit comparison of Tuomela’s I-mode/we-mode thought, intention, and action with the accounts of Gilbert, Bratman, and List and Pettit. Combined with the clarity of his arguments and the explicit consideration of a number of group-formation mechanisms (shared ethos, authority and external control) and their relationships to group identification, social attitudes, and commitment, the explicit comparisons to the other accounts raises confidence in one’s navigation of the topic. If anyone can get past the first step of the journey – the acceptance of we-mode thinking as distinct from our common reliance on I-mode thinking in social science research, the possibility of constructing interesting models of entrepreneurial teams lies ahead.

Parting Thoughts

To complete the argument early in the previous section about the appropriateness of using well-confirmed methods and constructs, Tuomela calls his approach “a systematic, analytically argued theory that is broadly naturalistic and “science-friendly”. (2013, p. xi) The latter point implies that this theory (in its various forms) is testable. I believe this is also the case with the other accounts of group agency. If the research we do is empirical, then we have competing theories to test under different conditions of group size and composition. Moreover, we can test the linkages between Ruef’s mechanisms of relational demography with the arguments posed by the ontologists. In some cases, the theories pose explicit linkages to network ties (Bratman and Tuomela), identity and shared beliefs (Tuomela and Gilbert), and structure and roles (Bratman, List and Pettit, Tuomela). In other cases, the linkages are implicit. And we may get to the point where we can understand if the social glues holding entrepreneurial collectives together as they form, act initially, and have continuity are different. Perhaps Ruef’s four mechanisms are a subset of what we find empirically. Maybe we can tie this research into our teaching of entrepreneurial team concepts to get beyond just-so stories. And maybe we find that our insistence on heterophilous entrepreneurial teams in the classroom is borne out by research that says that homophily is oversold by Ruef as a mechanism for group solidarity in venture teams.

A Reading List on Social Ontology

The titles listed below represent an entrée into the literature on collective intentionality, group agency, and joint action that may serve as a foundation for group or collective entrepreneurship research.


Gilbert, Margaret. 2014. *Joint Commitment: How We Make the Social World*. Oxford University Press.


References


