

Sociology of Entrepreneurship

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Citation: Ruef, M. (2015). Sociology of Entrepreneurship. In R. Scott and S. Kosslyn (eds.) *Emerging Trends in the Social and Behavioral Sciences*. Hoboken, NJ: John Wiley.

<https://doi.org/10.1002/9781118900772.etrds0313>

ABSTRACT

Since the 1970s, we have witnessed a growing body of scholarship that investigates the social context, processes, and consequences of entrepreneurship. Despite – or, perhaps, because of – the conceptual vagueness around the definition of the entrepreneur, this topic has attracted attention from a wide range of interdisciplinary scholars and has been applied to a variety of entrepreneurial activities among businesses, nonprofits, social movements, and public sector initiatives. This review begins with three views of entrepreneurs that are rooted in classical scholarship, conceptualizing them as innovators, autonomy-seekers, and organizers. It then analyzes the mechanisms that link these views to entrepreneurial outcomes at different levels of analysis. Scholarship on social networks examines how the structure of relations may transmit new ideas, encourage freedom from interpersonal constraint, and produce social support for organizing. Research on career structures considers how past organizational contexts tend to augment or decrease entrepreneurial propensities. Studies of organizational populations and regions address when the ecology of those contexts allows entrepreneurs to carve out a new niche, despite competition from incumbents. The review concludes with suggestions for improving research methodology and the representativeness of social contexts in the study of entrepreneurship.

Keywords

Organization; Autonomy; Innovation; Business; Networks; Technology

Related Articles and Topics

Innovation (Economics); Innovations in Organizations; Organizational Populations and Fields; Social Networks and Economic Action; Sociology of Risk and Uncertainty; Wealth and Mobility Regimes

Introduction

The sociology of entrepreneurship addresses the context, process, and effects of novelty. “Entrepreneurship”, within this perspective, can be interpreted narrowly to refer to a purposive set of actions that lead to the creation of a new organization or a new technology, or more generally, as any endeavor that seeks to generate durable change in social routines, structures, or institutions. The sociological study of entrepreneurship is thus related to theories of agency, but it tends to be less abstract and sweeping in its approach. It also differs from related work in psychology or economics insofar as it targets mechanisms that operate above the level of the individual and complements the common emphasis on material aspects of entrepreneurial activity with attention to its interpersonal and cultural dimensions.

One challenge in studying entrepreneurship from a sociological perspective is that there are multiple (and sometimes conflicting) conceptualizations of the phenomenon in classical and contemporary scholarship. Some sociologists focus on entrepreneurial activity as a matter of social or economic innovation. Others emphasize the act of creating a new formal organization, whether it involves innovation or the mundane reproduction of existing routines and competencies (as is the case in many business franchises). Yet other scholars highlight aspects that range from risk-bearing and autonomy-seeking behavior to actions that transform institutions or create networks that can be mobilized toward a common goal. Complicating the conceptual vagueness of “entrepreneurship”, business media and political discourse offer their own interpretations of the phenomenon, which often hinge on hagiographic portrayals of specific business leaders or social entrepreneurs.

A second central challenge in sociological scholarship on entrepreneurship is that

can be pursued at multiple levels of analysis. The *object* of entrepreneurship may itself vary from an artifact or idea or enterprise to an industry or movement or social institution. The *mechanisms* of entrepreneurship identified among sociologists range similarly from the micro- to the macro-level. Some observers emphasize micro-level mechanisms involving the interpersonal networks or social identity of an entrepreneur. Others target their inquiry at features of organizational structure or culture that may serve to encourage or discourage entrepreneurial action. At the most macro-level, scholars seek to understand when the attributes of an industry, an organizational field, or a society are likely to promote entrepreneurship and how those attributes become imprinted on the entrepreneurial endeavor, even in the face of subsequent social change.

This review begins with foundational work in sociology and economics that has deployed three distinct definitions of entrepreneurship, considering it as an act of innovation, autonomy, or organizing. I then move to current research that tackles these conceptions from different levels of analysis, with a particular emphasis on the role of interpersonal networks, organizational structures, and the ecology of organizations and regions. The concluding section considers how scholars can advance work on entrepreneurship by modeling social context as being endogeneous to entrepreneurial activity and by examining contexts that differ from the high-tech, high-growth industries that tend to be highlighted in contemporary media accounts.

Foundational Research

Innovation

The economist Joseph Schumpeter famously declared that “the function of entrepreneurs is to reform or revolutionize the pattern of production,” thus initiating an extensive stream of work that equates entrepreneurship with innovation. For Schumpeter himself, the essential feature of such innovation was the combination of existing methods or technologies in new and unexpected ways. The innovation could involve a novel product or service, a new method of production, distribution, or marketing, or entry into an unexploited market niche. Schumpeter’s heterodox view of economics held that the entrepreneur was the source of disequilibrium in markets, contributing to the “creative destruction” of incumbent firms and technologies. Sociologists often extend Schumpeter’s conception to include social innovations that fall outside the realm of business, such as those undertaken by social movements, nonprofit organizations, or the state.

Autonomy

In contrast to Schumpeter, the German sociologist Max Weber did not view the defining role of the entrepreneur as related to innovation, but to his or her relative immunity from the constraints of bureaucratic organization. Within Weber’s typology of authority structures, it was only the entrepreneur who could lay claim to autonomy from the dictates of formal rules and hierarchy. The importance of autonomy, in this view, extended not only to specific organizational environments, but also to cultural traditions and sources of socialization that impeded the development of entrepreneurial capitalism. This conception of entrepreneurship has been picked up to some extent by sociologists who study entrepreneurship in terms of self-employment and entrepreneurial personalities. It is also

central to a rich body of empirical work which considers whether employment in large, bureaucratic settings produces a taste for autonomy and, thus, a propensity toward entrepreneurship (Sørensen and Fassiotta 2011).

Organizing

A final conception of entrepreneurship emphasizes the actions and risks involved in creating a new organization. Although one can trace its origins back to the work of enlightenment economists, such as Richard Cantillon and Jean-Baptiste Say, the sociological embrace of this conception is of more recent vintage than either the Schumpeterian or Weberian definitions. Nevertheless, the idea that entrepreneurship involves instances of organizational founding has become widespread since the 1970s, especially for scholars employing an evolutionary or ecological perspective. These theories tend to investigate the success and rate of organizational founding as a function of broader societal forces that promote competition among organizations and the legitimation of particular organizational forms. A separate stream of analytical work in politics and economics also emphasizes the challenges of organizing, but builds on the work of Mancur Olson to argue that the entrepreneur is an individual who resolves the problem of collective action while bringing together individuals with common goals.

Cutting-Edge Research

Current research on entrepreneurship can be categorized broadly in terms of mechanisms at three contextual levels of analysis. At the most micro-level level, sociologists consider how the structure of interpersonal networks affects the propensity and

success of innovation, autonomy, and organizing. A central debate is whether (and how) diverse and “open” social networks encourage entrepreneurship, as opposed to homogenous and “closed” networks. Much of the literature has argued in favor of the advantages of network diversity and weak ties, suggesting that these interpersonal structures enable entrepreneurs to acquire more information or resources, avoid pressures for conformity, and develop new ideas (e.g., Burt 2004). This intuition must, however, be reconciled with the entrepreneurs’ need for social support and interpersonal trust. Empirical studies of average entrepreneurs find that few begin with diverse networks. Moreover, homogeneous and intimate interpersonal ties can have beneficial effects on entrepreneurial equality, effort, and innovation, as well as the short-term survival of new organizations (Ruef 2010).

At a meso-level, recent sociological research has centered on the tendency of organizations and careers to structure pathways to entrepreneurship. The vast majority of entrepreneurs have been employed by other organizations before they set out to create their own business or nonprofit, or enter into self-employment outside of an organizational context. It is widely agreed that these experiences impact entrepreneurial capabilities and opportunities, though the specific mechanisms remain in dispute. For instance, a genealogical approach emphasizes how the movement of high-ranking employees from an established organization to a startup also involves a transfer of resources and routines, weakening the incumbent while strengthening the new enterprise (Phillips 2002). Other approaches consider how existing organizations may serve as fonts of social capital and enculturation that can spur or deter entrepreneurial propensities (Sørensen and Fassiotta 2011). Scholars who focus on *intrapreneurship* argue that some entrepreneurial processes

can be observed entirely within extant organizations, which may provide opportunities for innovation, autonomy, and spin-offs even when members or employees are not setting off on their own (Kacperczyk 2012).

Macro-level research considers the characteristics of organizational populations and regions that are likely to be conducive to entrepreneurship. While a long line of ecological studies has addressed the structural features of industries that impact competition and legitimation among new ventures, more recent studies have often centered on the cultural challenges of creating new categories of products or services. Particularly for those organizations that are misfits in existing categories, it appears critical that entrepreneurs attract media attention and identify a handful of peers who are pursuing similar activities (Kennedy 2008). The idea that market and startup formation depends on context extends to features of geographic regions. In addition to regional infrastructure, social networks, and material resources, researchers have proposed that the formation of a regional identity – based on shared understandings among local residents and external audiences, combined with a focus on specific forms of enterprise – may be a crucial source of support for entrepreneurs (Romanelli and Khessina 2005).

Key Issues for Future Research

Sociological research has convincingly shown that social context is associated with the rate and success of entrepreneurship; and it has begun to document the diverse processes that link context with entrepreneurial tendencies toward innovation, autonomy, and organizing. Owing to the limits of observational data, the causal direction of these

associations is more ambiguous. It is usually impossible to randomly assign individuals to interpersonal networks, career histories, industries, and regions in an effort to probe whether those contexts have a causal effect on entrepreneurship. And there is some evidence to suggest that skillful entrepreneurs can maneuver into social contexts that will further enhance their capabilities. Experiments and naturally-occurring quasi-experiments offer promise, but they sometimes rely on highly artificial settings that may violate the voluntaristic self-perception of individuals involved in entrepreneurial activity. Further progress thus depends on clever research designs that will isolate plausible causal effects of social context on entrepreneurship.

Perhaps an even greater challenge lies in documenting how entrepreneurs modify their context, particularly at the macro-level of industries, institutions, and regions. Laudatory depictions of innovators and entrepreneurs are plentiful, of course, but they frequently emphasize singular cases and analyze entrepreneurial success with hindsight. As a consequence, systematic theorizing and empirical research that explains transformative instances of entrepreneurship is at a fairly nascent stage. One lively domain has involved work on *institutional entrepreneurship*, which considers those actors who create new social institutions or transform existing ones. Analytical depictions of institutional entrepreneurs suggest that their success depends on a combination of enabling environmental conditions (e.g., a crisis or contradiction in existing institutional arrangement), the social position of the entrepreneurs (especially, as it relates to resource access), and activities that revolve around resource mobilization and the framing of social problems (Battilana, Lex, & Boxenbaum 2009). While this literature has grown rapidly, far more effort is required to develop a predictive theory of institutional entrepreneurship

that can be applied across a wide range of social contexts and which is accompanied by rigorous tests of causality.

Given the centrality of context to sociological studies of entrepreneurship, another step forward will require that scholars address social environments that deviate from those that have been widely-examined in the literature. Because a good deal of research on entrepreneurs originates in professional schools, much of this work has emphasized high-tech high-growth sectors, such as bio- and nanotechnology, information technology, venture capital firms, and academic spinouts (Ruef 2010). Studies of more common startups -- such as restaurants, construction firms, garage bands, and auto repair shops -- have lagged. Reasons for this disparity range from the empirical difficulty of systematically sampling average entrepreneurs to a belief that influential startups are more likely to be found in some sectors than others. The disparity extends to not-for-profit ventures, which have received less attention from researchers than businesses or, more recently, have been lumped into the heterogeneous category of “social enterprise”.

By the same token, data availability and substantive familiarity has often trained the eyes of entrepreneurship scholars on business and nonprofit ventures located in advanced capitalist economies. Many of the regularities identified within these economies, including the importance of social capital and the role of previous organizational experiences in shaping entrepreneurial careers, may be highly idiosyncratic to this context. In particular, underlying assumptions in studies of entrepreneurship often hinge on the view that entrepreneurs are engaged in the voluntary recruitment of other startup participants, that ideas and routines for organizing are readily available to attentive individuals, and that the act of entrepreneurship is valued by society. These assumptions

must be critically probed in historical contexts and regions that differ from those within which entrepreneurship scholars themselves are located, perhaps in dialogue with economic historians and interdisciplinary area specialists.

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Further Reading

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Biography

Martin Ruef is the Jack and Pamela Egan Professor of Entrepreneurship at Duke University. Ruef has written or coauthored several books on organizations and entrepreneurship, including *Institutional Change and Healthcare Organizations* (2000, with W. Richard Scott and colleagues), *Organizations Evolving* (2006, with Howard Aldrich), and *The Entrepreneurial Group* (2010). His most recent book is *Between Slavery and Capitalism* (2014), which addresses the organizational transformation of the American South following the Civil War, with a particular emphasis on the role of economic uncertainty and the construction of capitalist institutions.