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Article Type: Point-Counterpoint

The Context of Entrepreneurship: An Introduction

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There is a long-standing tradition of assessing the antecedents and consequences of the role of context in entrepreneurship (Aldrich & Fiol, 1994; Autio et al., 2014; Thornton, 1999; Zahra & Wright, 2011). This Point-CounterPoint (PCP) addresses several fundamental questions that lie at the core of entrepreneurship research:

- 1) How do entrepreneurs identify or create opportunities?
- 2) How do they acquire and combine the resources required to exploit those opportunities?
- 3) How do they make judgments under conditions of risk and uncertainty?
- 4) How do market, institutional and intra-firm contexts enable or constrain those judgments?

To address these questions, the authors of this PCP place, first of all, entrepreneurship in distinct disciplinary contexts. Foss, Klein and Bjørnskov draw on the insights of economics to explain how organizational, institutional and market contexts shape entrepreneurial judgment. Lounsbury, Gehman and Glynn resort to the theories and concepts

This article has been accepted for publication and undergone full peer review but has not been through the copyediting, typesetting, pagination and proofreading process, which may lead to differences between this version and the Version of Record. Please cite this article as doi: 10.1111/joms.12440

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in the cultural entrepreneurship literature and sociology to argue that entrepreneurship is embedded in, and fundamentally shaped by, socio-cultural dynamics.

Foss et al. set out their Point article by claiming that “The field of entrepreneurship emerged from economics.... and economics continues to inform entrepreneurship research in fundamental ways.” At the same time, they concede that contemporary economic-based literature has largely offered a decontextualized view of entrepreneurship, removed from its institutional, social, political and cultural macro context as well as from the intra-firm context underlying entrepreneurial behaviour. In their view, the neglect of context in entrepreneurship research is not because it relies too heavily on economics, but rather because it has missed some critical insights from economic theory and application. Accordingly, they propose a Judgment- Based Approach (JBA) as a way to broaden our understanding of entrepreneurial processes by contextualizing entrepreneurial action.

Following Grandori (2011), judgment is defined as “the cognitive faculty that humans deploy to be able to make decisions concerning the future in situations where it is not possible to meaningfully identify and use a clear decision model or rule, such as standards of ‘rational’ behaviour, but at best crude decision heuristics.” Foss et al. argue that resource heterogeneity is not a given, but results from entrepreneurial search and experimentation. Because resource attributes are not clear and unambiguous, they need to be interpreted. Accordingly, entrepreneurial judgement is exercised in the experimental process by which entrepreneurs assess, acquire, combine and deploy resources.

In turn, entrepreneurial judgment is influenced by organizational, institutional and market factors that not only provide resources, but also shape the norms and cognitive categories through which those resources are interpreted. Foss et al. conclude that it is the quality of the entrepreneur’s judgment – reading the context and experimenting within a ‘heterogeneity-uncertainty nexus’ - that ultimately determines entrepreneurial success.

Furthermore, entrepreneurship is seen as a multi-level phenomenon spanning organisational, institutional and market environments. Hence greater attention to relevant context and cross-level mechanisms that link entrepreneurship and context can help advance entrepreneurship research.

Lounsbury at al., acknowledging the insights offered by the JBA, observe that the field of entrepreneurship cannot advance substantially if it does not reach beyond the economic characterisation of entrepreneurship as impersonated by the *homo entrepreneurus*. This view has traditionally portrayed entrepreneurs as self-interested individuals, capable of rationally identifying opportunities, assessing risks and exercising judgment under conditions of uncertainty. From this perspective, context provides constraints to entrepreneurial choices and dictates the prerequisites for successful entrepreneurship. In contrast, Lounsbury at al.'s theory of cultural entrepreneurship (TOCE) places entrepreneurial action within a sociological view of institutions. Institutions shape the context of entrepreneurial action by providing not only resources and logics of action, but also a 'cultural stock of stories' or cultural accounts that facilitate organizational identity formation and justify action in particular relational spaces. From this standpoint, institutions are primarily cultural toolkits (Swidler, 1986) that influence and orient entrepreneurial action in the face of uncertainty and ambiguity.

Within the institutional space, entrepreneurs exercise agency through processes of storytelling. Context is not seen as a determinant of opportunities, nor does it merely enable or constrain entrepreneurial judgment. Rather, context is enacted through symbolic action and communication (Weick, 1979). Specifically, entrepreneurs engage in storytelling in order to gain legitimacy in the eyes of key stakeholders, thereby facilitating resource acquisition and wealth creation. From this perspective entrepreneurs create the context to which they eventually respond, and judgment is exercised through both sensemaking and sensegiving

(Gioia and Chittipeddi, 1991; Weick, 1995). This cultural view of entrepreneurship places entrepreneurial action within a more nuanced problematization of the structure-agency problem: “entrepreneurs are neither passive receptors of cultural norms nor heroic change agents that throw off cultural influences, but rather, skilled cultural actors who may navigate their cultural environments to obtain needed and valued resources.” (see also Rao, 1994; Uberbacher et al, 2015).

Finally, Lounsbury et al. also criticize the view of entrepreneurs as individual decision makers and highlight the distributed nature of entrepreneurial judgment. Entrepreneurship is distributed across several entities and social actors whose interaction shapes the field of entrepreneurial action and the opportunities available within that field. From this standpoint, judgments are being made throughout an enterprise’s value chain through processes of collective storytelling; they emerge from an entire entrepreneurial ecosystem rather than from the individual putative entrepreneurs.

Overall, the PCP highlights how research on the context of entrepreneurship, and entrepreneurship more generally, might benefit from deeper and broader interdisciplinary engagement. A main point of overlap between the two perspectives seems to be the importance of processes of understanding (*Verstehen*) in connecting entrepreneurial action to entrepreneurial context. In the JBA, the entrepreneur is engaged in exercising judgment under conditions of uncertainty. In the TOCE, the entrepreneur makes sense of context by drawing on an institutionalized stock of stories while giving sense through storytelling. The former emphasizes the role of information processing during processes of search and experimentation while the latter places an emphasis on meaning making as a way of navigating institutional uncertainty.

Our impression is that entrepreneurship theory is still in its adolescence and that there will be many more debates following the one presented here. One possible extension of research on entrepreneurial judgment would be to look at the temporal dynamics of entrepreneurship and the role of entrepreneurial learning. In this regard, the work of the great organizational scholar James March might provide a compass for future search. In fact, entrepreneurial judgment seems to be often driven by a logic of appropriateness rather than a logic of consequences (March and Olsen, 1989, 2011). That is, entrepreneurs' sense of who they are shapes how they judge entrepreneurial opportunities. Paraphrasing March, entrepreneurs implicitly or explicitly ask themselves 'what kind of person am I, what kind of situation am I in? What would a person such as I do in a situation such as this?' From this perspective, entrepreneurial judgment is perhaps about navigating the ambiguities of experience (March, 2010) and extracting lessons from the unfolding episodes of entrepreneurial life.

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