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The narrative rationality of venture structuring: A model of explanatory coherence

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Introduction

Organizational existence and managerial action at new ventures are guided, substantiated and evaluated through narratives of purpose, identity and processes (Pentland 1999; Quinn and Dutton 2005). Narratives are not only ways to describe events or processes, they are also fundamental cognitive frameworks (Bruner 2004) through which entrepreneurs make sense of their experience (Weick 1993). At early stage businesses, narratives are tightly embedded within a small network of actors and a rapidly evolving structure of actions and events, providing a context for imagining and interpreting outcomes in real-time (Shklovsky 1929; Todorov and Weinstein 1969; Fisher 1984; Phillips 1995; Barry and Elmes 1997; Bruner 1997). Narratives help formulate and communicate a compact representation of complex structures of events and a plausible explanation of actions and outcomes (Gabriel 2000; Pentland and Feldman 2007). These narratives are at the heart of decision-making and interactions among organizational actors (Boje 1991).

Aims

This study aims to understand how the formation of entrepreneurial narrative complements decision making based on rational logic and behavioral rules (Bruner 1991). In particular, I seek to explore three aspects of entrepreneurial behavior linking cognition to venturing outcomes. First, Fisher's framework of narrative rationality (Fisher 1994) clarifies what makes venturing narratives compelling and effective in asserting organizational identity. Second, I consider how rational decision-making rules are complemented by the coherence of key cognitive elements. Because individuals make decisions using a rationality of "good reasons" that both justify and explain their actions (Fisher 1995), decision-making processes are affected by how

well story elements fit together. Finally, by exploring the meaning of coherence in an organizational context, I present new insights into entrepreneurial action and emergent venture characteristics such as structures.

Methods

This study combines a rich case study with simple simulation techniques to develop a formal model of narrative coherence. First, I reconstruct an entrepreneurial narrative based on data collection at a highly innovative stem cell technology company. The interview style utilized a narrative interviewing approach (Bauer, 1996) across the firm hierarchy. Field notes were generated during and immediately after each interview to provide guidance for ex post analysis. To extract themes and examples from the data, I reviewed both the audio files and transcripts of the interviews. This process incorporated consultation with colleagues who also reviewed the interviews. I employed both deductive analysis, identifying themes representing *a priori* constructs (Hirschman, 1986), and inductive analysis, allowing novel themes to emerge from the data (Spiggle, 1994). I developed mini-narratives based on the emergent themes and tested them with informed colleagues for accuracy and analytical objectivity. This process facilitated a strategy of triangulation (Miles and Huberman 1994), open coding (Strauss and Corbin 1998), and the constant comparative method (Glaser 1965; Silverman 2001).

The key firm cognitive elements generated a concept map representing shared cognition. This map was then coded into a simple constraint satisfaction network incorporating complementary and conflicting interactions between elements. The state of the elements was allowed to evolve dynamically, and common configurational outcomes were observed by repeating the simulation hundreds of times based on random initial conditions. Based on preliminary outcomes, a follow-up survey tool

was administered to the President of the organization to obtain strictly quantitative measures of the interaction relationships between the elements in the concept map.

Results

At the start of the case study investigation, the organization operated via two legal entities sharing certain managerial and physical resources. The uptake of the technology platform led to the merger of the entities, despite significant organizational and personnel conflicts. The dynamic, coherence-seeking heuristic applied to the concept map replicated both the initial structural configuration of the organization as well as the structural change instigated by the uptake of a novel technology platform during the study. The results were robust when the quantitative data from the survey tool were utilized rather than the investigator-derived model parameters.

Conclusions

The dynamic concept map of organizational narrative provided a plausible explanation of observed organizational events. The implications for entrepreneurship theory and venturing practice are potentially significant. The narrative rationality framework presents an alternative perspective to the interpretation of entrepreneurial decision-making via traditional strategic frameworks. Rather than assess whether venturing activity fits into a competitive context, innovative entrepreneurs assess whether internal organizational activities present plausible approaches to novel opportunity exploitation. This adds depth to prior theories about entrepreneurial resource acquisition via institutional processes (Lounsbury and Glynn 2001). Entrepreneurs co-create narratives via goal-shifting and resource-shifting to facilitate external legitimization and resource assembly processes. Entrepreneurs shape the

narrative to reflect underlying changes in their perception of opportunities and events. In addition, the coherence-seeking heuristic suggests that entrepreneurs do not aspire to supermodular systems of strategic complementarity (Milgrom and Roberts 1995). Instead, innovative entrepreneurs overlook minor organizational flaws or even turn those flaws to advantage in authoring a narrative that justifies the firm's potential as a novel organizational form or disruptive market entrant.

Modeling entrepreneurial narrative presents an interesting but addressable challenge because of the prominent role of the entrepreneur or entrepreneurial team in crafting and interpreting the narrative to exploit novel opportunities. The model of explanatory coherence, however, may be fruitfully extended to contexts in which organizational narratives are shaped by a plurality of voices from multiple actors.