NEW VENTURES CREATION AND JUSTIFICATION IN A GLOBAL CONTEXT

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ABSTRACT

We argue that creating novel ventures consists of inductive analogical or metaphorical reasoning, which generates a platform for the creation and commercialization of novel ventures and facilities the comprehension and justification of a venture. We argue that such inductive reasoning is shaped by two determinants (the applicability of prior entrepreneurial experience and the motivation to resolve uncertainly and acquire legitimacy) that interrelate to predict and explain pattern of analogical and metaphorical reasoning by which novice and experienced entrepreneurs construct meaning for themselves as well as others in the early stages of creating a venture

Keywords: Creation and commercialization, novel ventures

INTRODUCTION

The creation of new ventures is a process by which entrepreneur come to imagine the opportunity for novel ventures, refine their ideas, and, after an initial investment, justify ideas, and after an initial investment, justify their ventures to relevant others to gain much-needed support and legitimacy (Alvarez & Barney, 2007; McMullen & Shepherd, 2006). Yet how to entrepreneur come to create and justify new ventures in such a way that they acquire institutional legitimacy and the necessary resources for venture to growth? Despite an increase in conceptualizing and specifying the process of entrepreneurship (Zott & Huy, 2007), research has not fully addressed this question, with most accounts the oretically or empirically equating the process with antecedent cognitive scripts or characteristics of entrepreneurs (Baron & Eansley, 2006; Busenitz & Barney, 1997; Shane, 2000) or with performance outcomes and the achievements of legitimacy in a industry (Aldrich & Fiol, 1994; Starr & MacMillan, 1990). However, equating entrepreneurship with such antecedents or outcomes overemphasizes either the individuals and his or her presents cognitive state or the configuration of the social context and institutional outcomes, at the expense of a more integrative understanding that embeds individual entrepreneurs within their social context (Garud & Karnoe, 2003; McMullen & Shepherd, 2006).

Specifically, we aim to make a number of contributions. First, we conceptualize processes of inductive analogical and metaphorical reasoning supporting the creations and justifications of novel ventures. Despite the recognized importance of induction in entrepreneurship (Baron & Ward, 2004), little theory or research in entrepreneurship exists on when, how, and why entrepreneurs use inductive reasoning (Ward, 2004) to move beyond their current understanding and produce novel ventures (Baron & Ward, 2004). Second, we develop a process theory of nonequivocal by constructing a new vision of the business environment (Alvarez & Barney, 2007). In the early stages of creating a new venture, entrepreneurs also need to speak to others about this vision in order to gain feedback and their support (Lounsbury & Glynn, 2001). Hill and Leavenhagen (1995) propose that such visions and the opportunities that they imply may be perceptually or unconsciously but are configured into more elaborate presentations when they are verbally articulated.

Our goal here to favor neither cognitive accounts (that see an entrepreneur's sensemaking and action in context as derived from and determined by cognitive interpretation) nor symbolic account (that see it as largely conditioned and bounded by the discursive fields or communities in which entrepreneurs operate). Instead, we aim to conceptualize how language and thought interpenetrate in context and how meaning is not fixed but continually developing as a result of interactions with others. Such an approach does not deny agency or structure but shifts attention to individual acts of sensemaking around the early stages of new venture creation. Specially, we conceptualize how, through analogical reasoning, entrepreneur not only imagine new ventures that surpass their past experience but also, through such reasoning, attempt to establishing shared understanding, support, and legitimacy for their burgeoning ventures. In the initial stages of a venture, entrepreneurs make sense of opportunities for novel venture by setting these part from what already exists while locating their ideas within stakeholder's existing understanding in order to gain acceptance and support

(Hargadon & Douglas, 2001; Santos & Eisenhardt, 2009). A sense making approach, therefore, bridges, the established cognitive and institutional traditions in that it sees language as not simply an extension or representation of cognitively recorded experiences but as actually formative of thought and, hence, as a resources that individuals use to create or produce a common understanding of new ventures.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

In this section we theorize how, in social contexts of speaking, entrepreneurs use inductive reasoning to create a meaningful opportunity for a novel venture and attempt to convince others of that opportunity in order to gain much needed support. We first provide an introduction to the key concepts of analogy and metaphor as primary forms of inducting reasoning. Through such reasoning entrepreneurs verbally create of hypothetical world in which they highlight discursive objects to themselves and others (Quinn & Dutton, 2005). A discursive object is a noun or noun equivalent in a propositional phrase that can refer to a physical or material entity (a technological innovation) or a symbolic entity (a societal role for a new venture). Although we focus exclusively on verbal acts of sense making we acknowledge that material circumstances and objects may trigger or anchor verbally produced conceptual images or this is beyond the scope of this paper. Also, while we do not addresses the specific ways in which the material environment or physical objects may prime or anchor entrepreneurial sense making. Baker and Nelson (2005) and Denrell, Fang, and Winter (2003) demonstrate that this is accomplished through a correspondence between conceptualization expressed in words and potential or realized combinations of physical resources.

When entrepreneur perceptually sense or feel that there may be an opportunity for a venture in a particular industry, they make that opportunity intelligible to themselves and others through inductive reasoning (Hill & Levenhagen, 1995). Because no entrepreneur, however prescient, can see into the future or know with certainty how decisions and actions will pain out, they necessarily rely on inductive reasoning for his purpose. By inducting images or scenes of how new ventures are likely to function in an industry and grow, or, alternatively, of how entrepreneur want them to function and grow, entrepreneur as well as relevant others (e.g., investor and employee) achieve some ability to comprehend the opportunity for a venture and the future consequences of decisions and actions. Specifically, the literature on induction (Gentner, Bowdie, Wolff, & Boronat, 2001; Holland, Holyoak, Nisbett, & Thagard, 1986; Nisbett & Ross, 1980) generally explicates how using analogies or metaphors-that is, verbally referring to other cases and domains of experiences-can guide thinking and create understanding and social acceptance. It suggest that entrepreneur may invoke analogical or metaphorical comparisons with other cases and experiences to familiarize themselves and others with a new venture, to reduce uncertainty, and to support further inferences (Lounsbury & Glynn, 2001 Sternberg, 2004; Ward, 2004). Analogies and metaphors are useful in this context because they "convey relationships to concepts already understood facilitate the construction of meaning by the person or group experiencing them (Gioia, 1986:53). As part of sense making, analogies and metaphors give structure, allowing entrepreneurs to make sense of puzzling or unfamiliar situations

(Gioia, 1986; Gioia, Thomas, Clark, & Chittipeddi, 1994), and produce link to action by virtue of the inferences for action that they evoke (Gioia, 1986; Weick, 1995). Besides structuring situations into an understandable format, analogical and metaphors also socially justify decisions and actions to others (Creed, Langstraat, & Scully, 2002) by validating some accounts and discrediting or preempting others (Rindova, Becerra & Contrado, 2004; Weick et al., 2005).

Strictly speaking, analogies and metaphors are verbally drawn similarities with other cases and experiences that are either directly extended to a new venture situation (as the target) or elaborated in interaction with the target as a basis for inferences (Gentner et al., 2001). The difference between analogical and metaphors rests in the literal references cases and observations associated with entrepreneurship, market, or industry contexts. An analogy, in other words, conjoins cases from the same category of observations (Gavetti, Levinthal, & Rivkin, 2005; Terlaak & Gong, 2008) Metaphors on the other hand, refer to figurative – and hence cross categorical – comparisons (Cornelissen, 2005; Lakoff, 1993), where the creation of a new venture is likened to cultural domains of experiences (parenting, sports, and warfare) outside a specific entrepreneurial or business context (Cardon, Ziestma, Saparito, Matherne, & Davis, 2005; Rindova et al., 2004). As a result, the new venture in a particular industry is not simply represented to be as or like other ventures or industries (as in the case of analogies) but as if it resembles in some form a literally unrelated but culturally familiar domain of experiences.

The specific analogies and metaphors that entrepreneur use can be already familiar and conventional or wholly novel and creative (Cornelissen, 2005). Entrepreneur may simply extend conventional analogies or metaphors in their speech to the new venture situation as the target. This kind of induction is knows as a protection-first model (Gentner et al., 2001), since the analogical or metaphorical reasoning in description of a sources domain into a target domain, after which it is corrected and adjusted to the target (see also Cardon et al., 2005; Farjoun, 2008; Gavetti et al., 2005: 696). Entrepreneur may also draw novel analogical or metaphorical comparisons in relation to a new venture (Baker & Nelson, 2005). This kind of induction is known as an alignment-first model, since entrepreneurs discursively align the sources and target and elaborate the comparison before any likely inference can be drawn from the sources to the target (Faouconnier, 1997: Gentner et al., 2001). Alignment-first models are creative and may deliver emergent inferences that, when evaluated and verified in relation to the target of a novel industry, may turn out to be credible and useful (Cornelissen, 2005; Sternberg, 2004).

The use of analogies or metaphors in relation to new ventures is, we argue, conditioned by the degree to which an entrepreneur has had previous experiences in and has learned about the same or similar industries iin which the new venture will be based (Shane, 2000, 2003). It is also conditioned by the activation of social pressures to demonstrate the predictability and legitimacy of a venture to stakeholders (Aldrich & Fiol, 1994; Lounsury & Glynn, 2001). These two determinants influence the extent to which as well as how an entrepreneur uses analogical or metaphorical reasoning during the initial stages of exploring ideas and planning and launching a venture. Indeed, in the initial stages of a venture, entrepreneur squarely rely an analogical and metaphorical reasoning to set these apart from what already exists while locating their ideas within stakeholders' existing support

(Hargadon & Douglas, 2001; Santos & Eisenhardt, 2009). After the launch, and when the venture and the venture achieves a turnover and early growth as indicators of its profit-making ability (Hite & Hesterley, 2001; Zimmerman & Zeits, 2002), entrepreneurs generally because less reliant on inductive reasoning. Instead, they may shift to more calculated reasoning that is based on direct experiences and the performance of the new venture in its industry (Aldrich & Fiol, 1994; Hargadon & Douglas, 2001; Hill & Leavenhagen, 1995).

In the next session we unfold these arguments and illustrate our main proposition with case examples of novel ventures in nascent markets that emerged through the confluence of the computing, electronics and telecommunication industries in the mid 1990's (Santos & Eisenhardt, 2009). Santos and Eisenhardt's (2009) original study describe how entrepreneurs framed the existed of the novel markets and subsequently signaled the leadership and feasibility of their ventures in these markets. We shed new light on their cases by demonstrating how they exemplify the main inductive processes and determinants within the initial stage of venture creation.

Applied to entrepreneurship, this means that through depth of experiences in or through learning about one or multiple industries, entrepreneurs may have entranced descriptions of the key features driving success or performance in a particular industry (Baron & Ensley, 2006; Gavetti et al., 2005; Haunchild & Miner, 1997). For example, based on depth of experiences in the media industry, an entrepreneur may verbally describe the industry as one where "advertising is a key because intrinsic product quality is hard to assess, and therefore customers' taste is easily shapeable" (Gavetti & Warglien, 2007). Depth of experiences refers to through time spent by an entrepreneur operating in or learning about the particular industry (Gavetti et al., 2005). The principle of entrenchment suggest first of all that those entrepreneurs with depth of experiences in industry deemed relevant to the new venture will refer to their past descriptions of those industries and will analogically project these onto the novel venture as a working hypothesis. This also implies that novice entrepreneurs or those without experiences in relevant industries do not have any direct analogies to hand and therefore face a clear sensemaking imperative (Santos & Eisenhardt, 2009; Saravathy, 2004). As a consequences, these entrepreneurs like likely to draw on entrenched, idiomatic words or expressions in their speech that they metaphorically extend to the new venture as a way of creating understanding for themselves and others (Cardon et al., 2005; Dodd, 2000; Nicholson & Anderson, 2005). Specially, we argue that in the absence of directly relevant prior experiences and observations, entrepreneur will induce metaphors to suggest an opportunity and construct a basic scenario for the creation and commercialization of a new venture in an unfamiliar industry (Hill & Levenhagen, 1995; Saraswathy, 2004). This leads to our first Hypothesis.

H₁: The degree to switch entrepreneur have depth of experiences in industries related to the target industry for the new venture is associated with the use of analogies (presence) or metaphors (absence) when they are initially speaking to others about the venture.

In addition those entrepreneur with prior experience may also have a certain breadth of experiences is that they have observed or learned about different industries. Combining breadth with depth of experiences means that some entrepreneurs have fully developed verbal descriptions that

distinguish multiple industries on the basis of significant features, such as, for example, the size of economies of scale, the size of customer switching costs and the heterogeneity of customer tastes (Farjoun, 2008; Gaetti et al., 2005). Where entrepreneurs indeed have depth and breadth of experiences in multiple industries, we argue that they are likely to refer to those descriptions of industries that are causally specific and include multiple feature, as that are isolated or generally less entrenched (Goodman, 1955).

Where entrepreneurs have access to multiple such a causal descriptions for relational analogies, Goodman (1955) predicts that the entrenchment (i.e., repeated mention) of part of such descriptions (around economies of scale and customer tastes) determines the likelihood of their use. A good example of these principles in the case of Magic, a venture based on "customer centric online shopping" (Santos & Eisenhardt, 2009). When the venture was founded, online shopping was a novel concept and one that was poorly understood. There was confusion how to evaluate products and how to make payments (Santos & Eisenhardt, 2009). The entrepreneur behind Magic who faced these challenges coined the analogy of seeing online shopping like (offline) retailing-specifically, like the experiences of supermarket shopping-an image that provided a clear model for the new venture. The user interface, for example, became based on such concepts as "self service" "shopping cart" and "checkout". This analogy also led to the inference that the entrepreneur needed to provide the world's widest selection in its product category-an insight stemming from the sources image of a self service retail shop selling a wide range of a products and services with economies of scale in the supply chain (buying, checkout selling points, and self-service).

The induction of retail supermarket image in this example suggests that entrepreneurs do not import random facts or features from a sources to a target but instead prefer to project inferences that build on a whole set of relations that can be discursively projected to or aligned with a target domain (Gentner & Clement, 1988). The retailing domain was also intimately familiar to the founding entrepreneur and Magic executives. Retailing concepts had already been an established part of their vocabulary while speaking to each other (Goodman, 1955). This leads to the following propositions.

H₂: Entrepreneurs with depth and breadth of experiences in multiple industries are likely to induce analogies that highlight a common set of relations between an (experienced or observed) industry and the target industry when they are initially speaking to others about a novel venture.

As mentioned, entrepreneurs with a lack of prior industry experiences need to draw on idiomatic words and expressions metaphorically to create meaning, reduce uncertainly, and prescribe a course of action (Gioia, 198; Hill & Leavenhagen, 1995). In this circumstances entrepreneur will initially be primed, we argue, to draw upon basic argument construction because these are entrenched in language use in general (Goldberg, 1995). Argument constructions include grammatical forms with a subject and operative verb, such as to give (the intransitive construction-i.e., where the verb can take a direct and indirect object); to make or to cause (the regulative construction); or to move, to go, or to enter (the caused motion construction). These constructions are prime material for metaphorical reasoning and "encode as their central senses event types are basic to human experiences" (Goldberg, 1995).

For example entrepreneur often refer to "leveraging" a client base "building" market awareness, "expanding" market share" acquiring" market acceptance (Martens et al., 2007), "getting new customers" or "making it happen" (Sarasvathy, 2004). In this way they metaphorically suggest that they can physically manipulate and control markets as if these were objects.

A good example of this thesis is the case of Secret, another venture studied by Santos and Eisenhardt (2009). Secret's founders began with a sophisticated cryptography technology but without a clear model of the venture or a well-defined product or market in mind. They experimented with several idea while talking to each other and started to focus on the development of a security product in the context of digital communications. One executive honed in on the nation of trust, which he described as "not just security in terms of keeping people out but it also was letting people in" (Santos & Eisenhardt, 2009: 649). The basic metaphorical image of the controlled movement of people in and out of a system provided the impetus for the new venture and defined the product in comparison to standard security technology focused on restricted access. Secret's executives therefore emphasized trust as central to the new venture's identity and its product. However, ambiguity in the market remained, prompting them to adopt additional metaphors to describe their venture for would-be customers and other stakeholders, as well as for themselves (Santos & Eisenhardt, 2009). To emphasize the product's ability to support and control legitimate movements in digital communications. They shifted to a metaphor of border control. According to Santos and Eisenhardt, "they used well-known terms such as 'ID card' 'wallet' and 'passport' as part of their vocabulary" (2009). This particular framing gained acceptance, as illustrated by the following quote from Secret's venture capital backer: "you know, you have kind of an one thing, and it would become your passport around the net" (Santos & Eisenhardt, 2009).

As this example illustrate, the default induction of argument constructions may be corrected or adjusted when entrepreneurs speak to stake holders and gain feedback, a point that we will return to below. For now, it is important to highlight that such a correction or adjustment process is likely to operate as a gradual process (Epley & Gilovich, 2006). Based on the plausibility of the communicated image for the venture and the ambiguity in the market, an adjustment away from the default inductive base is made until a satisfactory solution is reached (Goodman, 1955). Specially, this means that default basic argument constructions (such as the caused motion construction of people moving in and out of a digital system) are primed for metaphorical induction and will initially be adjusted with further information on cultural domains, such as, for example, border control (Santos & Eisendhardt, 2009) or, alternatively, engineering (Sarasvathy, 2004), parenting (Cardon et al., 2005), theater, or warfare (Dodd, 2000; Nicholson & Anderson, 2005). These cultural domains still include concrete, embodied activities, but their adjustment involves further detail on the culturally specific context of such activities and understandings (Hannan, Polos, & Carroll, 2007). When such anchoring in further cultural knowledge is still unsatisfactory in terms of stakeholders comprehension and support, the correction process continues and shifts, as we explain below, to ward alternative cultural metaphors that have a history of a basic argument constructions (Epley & Gilovich, 2006). However, in the initial stages of a argument constructions that are metaphorically used to describe the basic ideas of the venture in the target industry. This lead to the following proposition.

H₃: Entrepreneurs who lack prior experiences in industries associated with the new venture are likely to extend argument constructions metaphorically when they are initially speaking to others about it.

While making sense about and identifying new opportunities for ventures plays a central role in the process of the venture creation, it is not sufficient simply to envision an opportunity. Rather, for a venture opportunity to succeed, entrepreneurs need to convince relevant others (e.g., investors and employees) publicly of the feasibility and legitimacy of the venture and, as a result, gain their support (Aldrich & Fiol, 1994; Starr & MacMillan, 1990; Zott & Huy, 2007). Given that most start-ups or new ventures lack proven track records, entrepreneur need, while speaking, to construct accounts that helps explain, rationalize, and promote a new venture and reduce the uncertainty typically associated with it (Aldrich & Fiol, 1994; Lounsbury & Glynn, 2001). Their sense making has to demonstrate to others the feasibility of any new venture and its potential for wealth creation.

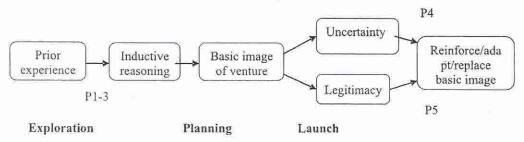
Entrepreneurs, as we have argued, will initially draw from their own experiences to induce, while speaking, the opportunity for a novel, venture and will seek to gain initial feedback from others, without yet committing themselves publicly to a venture or a particular course of action (Alvarez & Barney, 2007; Hite & Hesterley, 2001). At the outset, entrepreneurs are likely to speak to a small circle of close contracts (Hite & Hesterley, 2001), most stemming from preexisting social, family, or historical relationships (Hite & Hesterley, 2001; Stam & Elfring, 2008). They will, as we argued, use analogies or metaphors to articulate basic images or scenes of both cases and effect, but with many essential elements initially undefined (Sarasvathy, 2001, 2004). Such images or scenes are further explored and possibly revisited as a result of communication with others (Alvarez & Barney, 2007).

When such initial images and scenes evolve into a more determine commitment, entrepreneur need to convince other individuals (potential employee) and investors who have direct business or capital links to support the venture (Alvarez & Barney, 2007; Mosey & Wright, 2007). The broader range and diversity of people that entrepreneur speak to may activate added pressures to make the venture understood and legitimate in the eyes of others (Hannan et al., 2007). Entreprenuers will be motivated to resolve this uncertainty and to adapt their reasoning in such a way be prompted to elaborated or to replace the image or scene for the novel venture in an attempt to explain it to stakeholders. They may also be triggered to adapt their sense making so that their accounts make direct referrence to implications for growth (Baron & Markman, 2000; Bauman & Locke, 2004; Chen, Yaou & Kotha, 2009). Specifically, in the arly stages of a venture entrepreneurs need to reduce stake holders uncertainty, at least in part with te goal of demonstrating the predictability and cognitive legitimacy of the venture (Aldrich & Fiol, 1994; Zimmerman & Zeits, 2002). Predictability relates to uncertainty stemming from the lack of information about cause effect relationships in a particular industry. This uncertainty primes the use of analogies and metaphors in a entrepreneur's speech to others (Aldrich & Fiol, 1994; Lounsbury & Glynn, 2001). In the absence of a performance track record that entrepreneurs can point to, they often rely an analogies or metaphors to provide an inductive rationale that projects a trajectory for the venture (Lounsbury & Glynn, 2001).

Cognitive legitimacy refers to the comprehension and taken for grantedness of a new venture (Aldrich & Fiol, 1994; Zimmerman & Zeits, 2002). When incentives for legitimacy are high, because of the absence of rival entrepreneurial venture with similar innovations or of rival firm operating in the same industry, entrepreneur often rely on analogies and metaphors to put the novel venture within a familiar frame of reference and to legitimize it existnce (Hargadon & Douglas, 2001; Laounsburry & Glynn, 2001). As lounsbury and Glynn argue, entreprenuers need to "make the unfamiliar familiar by framing the new venture (often through metaphor and analogy) in terms that are understandable and thus legitimate" (2001).

These two main factors (uncertainty and cognitive legitimacy), we argue, mediate the use of analogies and metaphors while entrepreneurs communicate about the venture to stakeholders in an effort to gain their behavioral support. Figure 1 depict the over all process model of entrepreneurial sense making during the early stages of venture creation, including the mediating role of uncertainty and legitimacy.

Figure 1: Entrepreneurial Sense Making and the Venture Creation Process



Venture creation process

In line with Figure 1, we argue that entrepreneurs reinforce, adapt, or replace the initially induced image or scene of the venture, depending on the feedback of others and in response to stakeholder perceptions of uncertainty and the cognitive legitimacy of their venture. Reinforcement is like to occur when the induced image or scene is easily comprehended, reduces uncertainty about the venture's predictability, and is perceived as legitimate by stakeholders (Zott & Huy, 2007). For example, when entrepreneurs cam make relevant links to their past experiences with ventures iin related industries or to certain competencies acquired through previous ventures, they can analogically refer to these as a way of strengthening trust in a venture in a novel industry and, hence, increasing its predictability (Martens et al., 2007; Zott & Huyy, 2007).

In the case of Magic, its analogical model of "customer-centric online shopping" was reinforced in all of its communication after the model had been quickly accepted by the market. One outside expert confirmed the success of these reinforcement tactics when he commented that "Magic has become the default name when you think of buying on the net" (Santos & Eisenhardt, 2009). While the venture was quickly understood and was seen as destined for success, the executives of Magic did encounter some customer insecurity surrounding the low legitimacy of online shopping at the time. In response, Magic slightly adapted its sense making by widely disseminating another story

that metaphorically referred to U.S history, portraying the founder as a "pioneer moving west" to "open up a new frontier" (Santos & Eisenhardt, 2009). This was meant to increase the legitimacy of the nascent market to customers and, in turn, the ability of the venture to profit from it.

Adaptation refers to a reformulation or elaboration of the induced image or scene for the venture. It is a process at the induction of a basic scene but are further extended and elaborated in response to a persistent need for efficiency and until uncertainty and legitimacy in the eyes of stakeholders are satisfied. Baker et al. illustrate the process of adaptation in their observation that, in interactions with employees, entrepreneurs added analogies or metaphors (e.g., of the venture organization as a "family") that they had "made up on the fly to make their fledgling firms seem comfortable and normal that is, legitimate to potential employees" (2003:263). In turn, such social constructions "become part of employee expectations and the emerging culture of the organizations after the people (had) joined the firm" (Baker et al., 2003).

The example of Secret also illustrated the process of adaptation during the early stages of launching a venture. Initially, as mentioned, the model for the venture had been induced on the back of an argument construction that had, after a few iterations, shifted to the metaphor of security, rather trust, in the case of border control. Secret's executives disseminated stories and organized events to convey its unique "trust identity" and intertwined it with a market for trust service (a conception that was distinct from competing market conceptions of selling security products). They also signaled their leadership by setting online certification standards for this nascent market. Investors had accepted the image early on. Uncertainty about the legitimacy of the market, however, persisted in the eyes of customers: this prompted Secret's executives to adjust their projected identity by analogically "adding the template of a 'public utility' that conveyed the ubiquity with high reliability of a trust services" (Santos & Eisenhardt, 2009). This adjustment helped them gain legitimacy for their venture and the nascent market. This elaborated vision also guided later decisions, such as which activities to pursue (Santos & Eisenhardt, 2009). In other words, as a result of interactions with stakeholders, these kinds of adapted images become "social contracts that guide subsequent actions of these entrepreneurs and others associated with an industry or market including customers and suppliers" (Alvarez & Barney, 2007).

Generally speaking, the adaptation and replacement of initially induced image for a venture are done to quell concern about its predictability and legitimacy. as mentioned this adjustment or correction process is likely to operate as a gradual process (Epley & Gilovich, 2006) in which, based on plausibility of the initial image for the venture and the ambiguity in the market, an adjustment away from the default inductive base is made until a satisfactory solution is reached (Goodman, 1955). Initially, entrepreneurs are likely to elaborate or extend the induced image by adding further analogies or metaphors. In the case of Secret, the additional public utility analogy blended coherently with the initial trust image and helped, communicate the predictability of the venture to customs. There kinds of elaborations or extensions, providing they are coherent in terms of the underlying representation, may help tune communication about the feasibility of the venture toward specific stakeholders or audiences. Combinations of analogies and metaphors are possible because although exact interpretations may vary between stakeholders and audiences, their intuitions about the underlying representation tend to be largely consistent in terms of causes, individual roles,

intentionality and manner of actions (Gibbs & O'Brien, 1990).

Besides addressing the uncertainty about a venture and its predictability, an entrepreneur's adjustments of the image for a venture may also be guide by assessments of the plausibility of the analogy or metaphor and its ability to confer legitimacy on the new venture. Douglas (1986) famously argued that new markets or ventures, gain institutional legitimacy on the back of a "naturalizing analogy" a drawn parallel or association with relation by demonstrating its fit with the natural order. In her analysis, when the association with another domain points to strong parallels with relations "found ion the physical world, or in the supernatural world, or in eternity, anywhere, so long as it is not seen as a socially contrived arrangement" (Douglas, 1986), the status and taken-for-granted nature of this sources domain may by association justify the reasonableness of the new convention.

Recently, Hannan et al. (2007) argued that the grounds for legitimacy stem from the degree to which a venture (or indeed any other organization) is seen by a stakeholder audience as a default or prototypical member of an existing category or domain of understanding. This argument is akin to Glucksberg, McGlone, and Manfredi's (1997) account of analogies and metaphors as category inclusion statements in which a new venture such as Magic is positioned as a central or prototypical instance of novel, ad hoc constructed categories, such as online shopping (Gentner et al., 2001). With such category inclusion statements, potential category are generated or invoked from the sources of the comparison (e.g., offline shopping) while onerously identified in the topic (e.g., self services shopping in the web). The interpretation of the legitimacy of the analogy or metaphor, thus, is a kind of negotiation between the category of understanding prototypically associated with the source and the dimensions of the describe targets. If the target is indeed judged by stakeholders to be a prototypical member of the ad hoc constituted category (online shopping), then the comparison is more likely to confer legitimacy.

The foregoing discussion leads to the following general propositions regarding the mediate influence of uncertainty and legitimacy on entrepreneurial sense making in interactions with stakeholders. Analogies and metaphors are reinforced, adapted, or replaced until uncertainty about the venture's predictability is satisfied and cognitive legitimacy is attained, at which point the motivation diminishes.

- H4: The degree of uncertainty regarding the predictability of a venture in an industry mediates the like hood that entrepreneur will rely on their initial analogies or metaphors when speaking to others. A high level of uncertainty is a reinforcement of these initial analogies or metaphors.
- H5: The degree of cognitive legitimacy of a venture in an industry mediates the like hood that entrepreneurs will rely on their initial analogies or metaphors when speaking to others. A low level of legitimacy is associated with an adaptation or replacement and a high level of legitimacy with a reinforcement of their initial analogies or metaphors.

METHODS

In this article we have elaborated a process theory of new venture of entrepreneur sense making to themselves and to others whose understanding and support are critical to a venture's success. We have argued that in the absence of a performance trajectory, entrepreneurs rely on inductive (analogical or metaphorical) reasoning to create and justify a rationale for a novel venture that accounts for its existence and garners the necessary support from relevant stakeholders and resources providers. We next discuss the implications for theory and research on entrepreneurships, sense making, and new venture creation.

First, we believe this article illustrates the significant potential that exist for a focus on sense making (Taylor & Van Every, 2000; Weick et al., 2005) to contribute to existing theories and concerns within entrepreneurship research. To date, research on entrepreneurial cognition and research on the institutionalization of novel ventures have tended to remain relatively self referential (Alvarez & Barney, 2007), with a rather different scholarly traditions and method associated with positivist psychology and interpretive sociology (DiMaggio, 1997). Although this may have been necessary for each of these research streams to develop a strong set of theoretical and methodological principles (e.g., Baron & Ward, 2004; Mitchell at al., 2002), we believe that it is time to integrate their insight into more comprehensive and procession understanding of how entrepreneurs develop and explore ideas for a novel venture, plan and launch their venture, and seek to acquire support and legitimacy to sustain and grow these ventures overtime.

The sense making approach that we have elaborated in this paper focuses on how entrepreneurs, while speaking, construct meaning about novel ventures for themselves and others in the early stages of the venture creation process. This particular approach provides a fertile area for such integration, with its assumptions regarding the socially constructed nature of a reality and its singular focus on the verbal speech acts through which entrepreneurs simultaneously envision and rationalize the potential for novel venture. In developing our model, we have attempted to show not only the common threads cognitions and institutional theory about also how systematic, empirically useful theory can be derived from their integration. Specifically, we have combined determinants (prior experiences and uncertainty about the predictability and legitimacy of a novel venture) derived from cognitive and institutional theory and have specified how together they impact the entrepreneur process by which new ventures are imaged, developed, and sustained over time. Thus, we believe our work highlights that the connection between cognitive and institutional theory in entrepreneurship has significant potential for both theory development and empirical research.

A second implication involves the specification of varieties of inductive analogical and metaphorical reasoning about novel ventures. Scholars recognize induction as central not only to how entrepreneurs envision novel opportunities (Baker & Nelson, 2005; Baron & Ward, 2004; Sarasvathy, 2001, 2004; Sternberg, 2004) but also to how they legitimize those opportunities to others (Lounsbury & Glynn, 2001; Zott & Huy, 2007). Yet very little existing research on entrepreneurship has provided a theoretical specification of when and how entrepreneurs use specific analogical or metaphorical comparisons as an inductive anchor to reason about a venture in a novel, unfamiliar industry. We

address this shortcoming by defining the determinants and variety of analogical and metaphorical reasoning in venture creation processes. In so doing we contribute directly to central question about how opportunities for a novel venture are identified or created (e.g., Alvarez & Barney, 2007; Baron & Ward, 2004) and how the institutionalization of a novel venture occurs over time (e.g., Lounsbury & Glynn, 2001; Santos & Eisenhardt, 2009). Our model extends the cognitive tradition by specifying the processes and conditions of inductive reasoning by which entrepreneurs envision opportunities for novel ventures. Within this tradition these processes have often been implied as invariant and automatic psychological processes (Baron & Ensley, 2006) rather than directly theorized (Baron & Ward, 2004; Ward, 2004). Further research, we suggest, can draw directly on this propositions on prior experiences and inductive (analogical or metaphorical) reasoning to study the cognitive processes by which the opportunity for a novel venture is created or identified.

Our model also extends institutional research on entrepreneurship and begins to explain how and why, through inductive reasoning, the institutionalization of a venture may occur (e.g., Lounsbury & Glynn, 2001; Philips et al., 2004). Institutional research has been largely silent on how the content or structure of speech reflected and shaped institutionalization process and how entrepreneurs, through inductively generated associations and arguments, establish shared understanding and legitimacy for their novel ventures (Santos & Eisenhardt, 2009, Zott & Huy, 2007). Such association and arguments may be analogically connected to institutionalized standers and conventions in any given industry (Hannan et al., 2007) or the past experiences of an entrepreneur, but they may also involve creative metaphorical comparisons or coherently blended images that provide the basis for institutionalization. In making these distinctions, we believe that we have enriched the institutional literature. Lounsbury and Glynn (2001) and Zimmerman and Zeits (2002) argue that there is a limited understanding of the symbolic processes through which new ventures are framed as viable and legitimated businesses. By identifying varieties of inductive reasoning and by formalizing them into a number of ways to study the institutionalization of new ventures.

A third implication relates to the proposed process model of entrepreneurial sense making. This model adds to process studies of entrepreneur actions (McMullen & Sheperd, 2006,; Zott & Huy, 2007). In that it theoretically links cognitive and symbolic activities performance by entrepreneur across the early stages of setting up new ventures. As such, it is more widely applicable than studies that have focused on specific stages, such as the launch or initial public of faring of the new venture (Chen at al., 2009; Martens et al., 2007). Underpinning the models a theory of sense making a socially situated process by which individuals construct meaning while speaking. This definition of sense making applies to the context of new venture where the demands of online sense making require that individual entrepreneurs think by speaking, meaning that conscious thought emerges the act of speaking with others (Hill & Levenhagen, 1995) but potentially also extends to sense making in order social and organizational setting.

Existing research on sense making, however, largely separates individual's cognition, or sense making, from symbolic "sense giving" processes in social or organizational settings (see Maitlis & Sonesshein, 2010; Weick et al., 2005). We argue instead that language and thought interpenetrate in context and that meaning develops as a result of interactions with others. In the classic case of the

Mann Gulch disaster (Weick, 1993), for example, when the spotted on the aircrsfthad labeled the fire as a "10 o clock fire" the firefighters on the ground committed themselves to this interpretation and believed it to be a fire that was relatively contained. According to Weick (1993), they also reinforced and "rationalized this image until it was too late" an analysis that points to the formative effect of language and to social validation in reifying the circumstances the firefighters faced. Another more recent study of the hijacking of United Airlines flight 93 (Quinn & Worline, 2008) demonstrate how people aboard the plane responded to this "shocking and incomprehensible" event by constructing a sensible narrative that allowed them to deliberate the action of collectively counterattacking the hijackers. The narrative evolved while people on the plane were phoning their close relatives and partners for approval and emotional support, which, in turn, gave the passengers the confidence to go ahead with their courageous counterattack (Quinn & Worline, 2008).

Although settings of crisis and change are not necessarily the same as the early stages of venture creation, there are clear parallels across these sense making scenarios in the sense that individuals, drawing from their own experiences and identity, construct meaning of inchoate circumstances, while speaking the others, and reinforced, replace, or adapt their sense making in the context of voiced or perceived social expectations. This particular formulation offers the potential for a more parsimonious perspective on sense making that, we argue, may benefit research. Over the past fifteen years, sense making has become an increasingly popular umbrella construct (Hirsch & Levin, 1999) that has usurped divergent theoretical principles around, for example cognitive dissonance, the autonomic nervous system, behavioral routines, emotion, speech acts, and escalation of commitment (Weick, 1995; Weick et al.,2005). Integration of these principles into a single construct is laudable, but it lacks spesificataty and provided broads, rather than specific, guidance to empirical research.

A fourth related and final implication concerns the empirical examination of speech and communication in entrepreneurships research can be readily connected to technique for the identification and analysis of analogies and metaphors (Cornelissen, Oswick, Christensen, & Philips, 2008; Putnam & Fairhurst, 2001) and their use in the context of entrepreneurial sense making (Launbury & Glynn, 2001). For example, further research may systematically study argument contractions (Goldberg, 1995), which provide the inductive core around which entrepreneurs elaborated larger scenarios or narratives for their ventures. Such studies will buttress the arguments and analyses of the burgeoning tradition of interpretive research on entrepreneurial narratives (Martens et al., 2007).

We furthermore believe that a key strength of our theorizing is that it provides a potential foundation for empirical process studies of the proposed links between an entrepreneurs' prior experiences and speech, social context of speaking, and institutionalized discourses in an industry, using either a qualitative or quantitative research design. Each of the theorized links that we have elaborated and illustrated with case examples (Santos & Eisenhardt, 2009) con provide the focus for incentives qualitative investigations that might serve to confirm or refute our arguments, as well as flesh out the details of these complex relationships. The model could also inform a quantitative examination of the dynamics of entrepreneurial speech and the institutionalization of ventures in an industry over time., with the propositions that we have develops forming the basis for a set of testable hypothesizes. This would require the assembly of a database of the novel ventures in specific

industries, speech acts of novice and experienced entrepreneurs, and the measurement of performance outcomes and legitimacy of ventures overtime. This database would need to be large enough to allow for systematic comparisons; such a study might easily be done in the form of a longitudinal study of novel ventures in a particular set of industries so that others factors might be at least partially controlled.

CONCLUSION

In this article we have theorized about how inductive reasoning through analogies or metaphors is central not only to how entrepreneurs envisions an opportunity for a novel venture but also to the way in which they communicate about that venture so that it can be understood and made acceptable and legitimate in the eyes of key stakeholders. Connecting strands of cognitive and institutional (prior experiences and uncertainty about the predictability and legitimacy of a novel venture. These contributions can be used to reconceptualized and guide the study of how entrepreneurs imagine venture opportunities and how they simultaneously develop and legitimize new ventures to exploit such opport.

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