

Before Identity: The Emergence of New Organizational Forms

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The evolution of new organizational forms has attracted growing theoretical and empirical attention, but little research has considered the microsocial processes that promote the emergence of groups of quasi-similar organizations that sometimes evolve into new organizational forms. Drawing from social psychological and sociological theories of identity formation, we explain processes of individual identification and collective identity development that precede and promote the formation of similar clusters, which audiences can then recognize and distinguish from established organizational populations and other emerging similarity clusters.

Key words: organizational form; organizational identity and identification

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Introduction

How new organizational forms emerge is a central but problematic question in organizational theory (Aldrich and Fiol 1994, Aldrich and Ruef 2006, Pólos et al. 2002, Rao et al. 2003, Romanelli 1991). Originally defined as a “blueprint for organizational action” (Hannan and Freeman 1977, p. 935), organizational forms have recently been more fully theorized as identities, representing cognitive categories used by audiences to understand and classify organizations as members of one organizational population over others (Hannan et al. 2007, Hsu and Hannan 2005). Organizational forms, then, represent classes of organizations that audiences understand to be similar in their core features and distinctive from other classes of organizations. For example, although biotechnology firms develop drugs and other products for the same uses and markets as large pharmaceutical and chemical companies, they are fundamentally distinct from these organizations on the bases of their smaller size, their focus on primary research, and their greater adherence to the principles of pure science as pursued in university laboratories (Kenney 1986). As new organizational forms expand, alter, replace, or intermediate the functions of existing organizational forms, they change the landscape of industrial arrangements and, thus, the economic development of regions and nations.

Despite the theoretical importance of organizational forms, explanations about how they emerge display considerable disparity (Romanelli 1991). Researchers have examined form emergence from several perspectives, including technological innovation and competition among new and established populations (Tushman and Anderson 1986), economic geography and social

networks (Buensdorf and Klepper 2009, Krugman 1991, Stuart and Sorenson 2003), institutional entrepreneurship (Aldrich and Fiol 1994, Rao et al. 2003, Chiles et al. 2004), and identity as ascribed by knowledgeable observers of organizations and organizational variation (Zuckerman 1999, Hannan et al. 2007, Pólos et al. 2002). Although these perspectives shed important light on many aspects of the evolution of new organizational forms, they have neither cohered into an overarching explanation nor established a consistent groundwork for empirical research.

Part of the problem, we believe, is that theorists have tended to assume that groups of quasi-similar organizations, which Hannan et al. (2007) referred to as “similarity clusters,” emerge more or less naturally in response to changing social and environmental conditions (Rao et al. 2003). Changing conditions set the stage for a flourishing of organizational experimentation (Stinchcombe 1965, Meyer 1993) that may generate the evolution of a new organizational form, and researchers have explored catalysts such as public theorizing (Strang and Meyer 1993, Rao et al. 2003) and perceptual focus by external audiences (McKendrick et al. 2003) that promote evolution given the presence of a similarity cluster. Nonetheless, as Hannan et al. (2007, p. 58) pointed out, we still lack an “analytical framework to identify and describe the early steps in industry or form emergence,” i.e., the processes that promote the rise of a new similarity clusters.

This paper takes on that challenge. Specifically, we ask, what factors motivate entrepreneurs to create organizations with similar features such that a new similarity cluster emerges? We argue that the formation of a

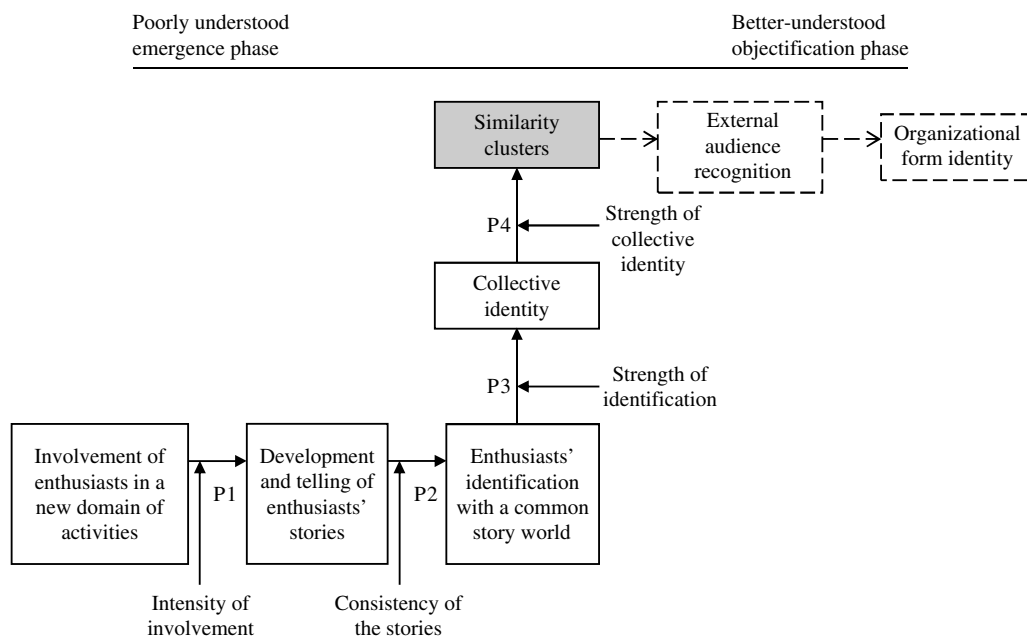
new similarity cluster depends on the development of a *community of practice* (Lave and Wenger 1991, Wenger et al. 2002), which is an amorphous group of individuals who share an enthusiasm about a particular new way of doing things. Such communities, which may be indistinct in their boundaries even to keenly involved participants, appear and disappear frequently. Many (possibly most) never reach either a sufficient consensus or sufficient enthusiasm to spur the formation of similar new organizations. Sometimes, however, and for reasons that are poorly understood, an idea takes hold such that many entrepreneurs are inspired to create similar new organizations. We examine processes of storytelling and social identification that promote a collective sense of identity, which is an essential bridge between a community of practice and the rise of a new similarity cluster. Similarity clusters, in turn, form the basis for audience recognition and the rise of a new organizational form, the members of which socially negotiate a set of beliefs about the appropriate features of a new set of practices. Figure 1 presents our arguments.

Following Berger and Luckmann's (1966) distinction between (1) the *emergence* of shared understandings about the key features of a social grouping through social interaction and (2) the *objectification* of the features of a social category that exists as an assumed reality, our model focuses primarily on the poorly understood emergence phase and examines processes that promote the formation of similar organizations. The three levels of the model reflect three levels of analysis: the bottom line depicts processes of individual involvement, storytelling, and identification that forge linkages among individuals; the middle line depicts processes of collective identity

formation; and the top line depicts organizational and extraorganizational processes of cluster formation and external recognition. The top line contains no propositions, as the proposed relationships are well established in the organizational ecological literature: the greater the similarity, salience, and coherence of a similarity cluster (Baron 2004, Hannan et al. 2007, Hsu and Hannan 2005, McKendrick et al. 2003), the more likely it is that external audiences will recognize and grant it a distinctive identity and the stronger the resulting identity of the new form. Our focus is on the bottom line, where form emergence begins at the level of individuals involved in a new domain of activity; and on the middle line, where collective processes bridge individual and organizational levels of analysis.

The model we present draws on theory from social psychology as well as ecological and institutional perspectives in sociology to emphasize the fundamentally social nature of collective identity formation as it moves toward the evolution of new organizational forms. Social psychology gives us the theoretical underpinnings of identity formation at the levels of the individual and the collective. Institutional and social-movement theories focus attention on institutional entrepreneurs (Aldrich and Fiol 1994, Rao 2008) as critical agents in crystallizing the boundaries of new organizational identities while they also emphasize the importance of collective identity formation for the attraction and recruitment of new adherents to the identity (Fernandez and McAdam 1988, Polletta and Jasper 2001). In addition, ecological theory emphasizes the importance of external audiences in recognizing an organizational identity as a distinctive category of activity (e.g., Hannan et al. 2007, Pólos et al. 2002).

Figure 1 A Model of Form Identity Development



Although these theoretical perspectives evince important differences in their understandings of key elements and actors in the rise of a new organizational form, we believe that they also share a view of identity as a socially constructed cognitive category with features that, at one and the same time, specify similarities among members of a category and distinguish them from the members of other social categories. In seeking to explain the development of similarity clusters, we emphasize their early emergence as a product of individual and collective identity formation, but we argue that their ultimate establishment and maintenance depends on recognition by external audiences.

Emergence of Similarity Clusters

Investigation of the emergence of a similarity cluster, which may sometimes come to be recognized as a new organizational form, requires the imposition of some boundaries on the scope of organizing activities in an industry or geographic space. Hannan et al. (2007) pointed to domains of activity (e.g., agriculture, arts, financial services) as a first basis for exploring the rise of audience interest in and attention to emerging forms of organizational activity. Within such domains, new ideas for products and services, or ways of delivering them, likely emerge constantly in ongoing discourse about better ways of doing things (Stinchcombe 1965). Some ideas attract proponents or enthusiasts, which begins the formation of a collective that may sometimes gain recognition and legitimacy among a larger audience. Although the number of new ideas may vary over time, depending on external events or developments such as technological innovation, we suspect that new ideas are likely promulgated frequently as entrepreneurs and others imagine ways to improve the features or delivery of a product or service. Hannan et al. (2007, p. 39) referred to these ideas as the “seeds” of similarity clusters that “spark the attention of enthusiasts.” They are the earliest origins of new organizational forms, most of which likely remain unrecognized and never develop. We currently lack a framework for explaining why and how some of those seeds develop and grow when most do not survive.

Communities of Practice

The language invoked by Hannan et al. (2007) is strikingly similar to that used by theorists who examine “communities of practice” (Lave and Wenger 1991; Wenger et al. 2002, p. 4), which are defined as “groups of people who share a concern, a set of problems, or a passion about a topic, and who deepen their knowledge and expertise in this area by interacting on an ongoing basis.” Communities of practice may take a variety of forms (small or large, long-lived or short-lived, geographically collocated or dispersed, homogeneous or heterogeneous), but they are all a combination of three basic elements:

a *domain* of activity that creates a first common ground for discussion, a *group of people* (enthusiasts) who care about the domain, and *interactions*, through which the features of a new practice are socially negotiated (Lave and Wenger 1991). Communities of practices exist only as a product of interactions among a group of people with similar interests and only for as long as the topic sustains interest and ongoing interaction. The membership boundaries of a community of practice are inherently loose, leaving open not only the composition of the community but also its very existence and topic focus. Communities of practice persist based on the intensity of participants’ involvement in the community. Involvement intensity, as described in the communities of practice literature, refers to the strength and enthusiasm of participants’ engagement in developing, discussing, and carrying out the practice with other enthusiasts. More intense involvement is indicated by the expenditure of greater amounts of time and effort (mental, emotional, and physical) in maintaining the activity or interaction, whereas less intense involvement signifies a more peripheral engagement that is more easily distracted and abandoned.

Accounts of the creation of Chez Panisse, which exists today as the iconic progenitor of America’s fresh food movement in restaurant cuisine, provide a good example of a community of practice and the role of involvement intensity. Founded in Berkeley, California in 1971 by the now internationally famous chef and restaurateur Alice Waters, the restaurant became a locale for enthusiastic conversation about and experimentation in the use and preparation of locally sourced ingredients. The conversation attracted an ever-evolving and eventually expanding group of chefs (many untrained), diners, and food critics, who became passionately engaged with a new idea in American cuisine that used only “the best and freshest ingredients” (McNamee 2007; Waters 2007, p. 3). Intensity of involvement was evidenced by the amount of time that chefs spent working (often with little or no pay) at the restaurant as well as by the creation of their own restaurants—e.g., the famous Stars restaurant in San Francisco by Jeremiah Tower, who was an early chef at Chez Panisse—that built on the same core principles. Although Waters much later became associated with the Slow Food movement, which formally espouses many of the same principles, she herself reported that she had no notion of starting a food movement when she founded her restaurant. She had an idea that evolved into a passion for fresh ingredients that began to engage others and eventually gave way to an informal proliferation of similarly premised restaurants.

Freiberger and Swaine (1999) provided another vivid example of an evolving community of practice in their description of the Homebrew Computer Club, which formed in Silicon Valley during the 1970s among computer hobbyists and enthusiasts interested in bringing computing power to the individual, eventually known as

desktop computing. A deliberately informal community, the club maintained no formal membership and attracted participants to monthly meetings through word of mouth and a story about computers for everyone, designed and produced by users. Although today it is hard to imagine that self-assembly kits would ever have become the basis for the personal computer industry that eventually evolved, in its time and among certain enthusiasts, these kits were considered a viable, and indeed better, alternative. As more and more enthusiasts (not led, but epitomized by Steve Jobs and Steve Wozniak, who were members of the club and also the founders of Apple) embraced the idea of an integrated and fully assembled end product and the organizational features it implied, the kit community simply faded away.

As the Alice Waters and Homebrew Computer Club examples illustrate, communities of practice, in their earliest form, are barely communities at all. Even the participants in the earliest evolution of these communities may not see themselves as sharing any common distinctive features as a group. Simply put, a few people and then a few more people become involved with a new way of doing things. Sometimes the practice may be realized in an organization that comes to epitomize the features of the practice, such as Chez Panisse, but sometimes the practice may remain little more than an idea about which some people sometimes converse. Ruef (2000), for example, described many ideas that appeared in discourse in the U.S. healthcare community but that were never realized in an organization, let alone a community of practice.

We focus on communities of practice, i.e., on these temporally diaphanous and amorously bounded communities, as the earliest beginnings of a potential new organizational form. Barely a community at all, at least in the sense of any attention being paid to membership or boundaries, these interacting enthusiasts begin the process of informally negotiating a set of principles that can over time coalesce into a common precept about the features of organizations that may eventually be the basis of a new organizational form. Storytelling, which we examine next, is the first step in a transition from an amorphous community to a similarity cluster.

Storytelling

Most people are engaged in many communities of practice—e.g., work units, informal subgroups of professional associations, neighborhood groups—as part of daily life and association. As a natural consequence of differences in interests, time, and resources, individuals vary in their intensity of involvement with communities of practice. Peripheral involvements come and go as people change their interests, jobs, and residences. Other factors, including macrosocial trends that shift attitudes toward established ways of doing things (Rao

et al. 2003), affiliations in existing formal organizations or social movements (Ashforth and Mael 1989, Bhattacharya et al. 1995), dissatisfaction with the status quo (Calhoun 1991), and the presence of opposition to the emerging new practice (Oberschall 1973, Tarrow 1998, Benford and Snow 2000), can also affect involvement intensity. This intensity may thus wax and wane over an existing set of communities, and occasionally, probably without much planning or forethought, a new community of practice arises that attracts a more intense involvement.

Intense involvement in a new community of practice not only engages substantial time and energy of participants but also puts at risk their prior investments in careers, reputation, and status. Kenney (1986) described, for example, the enthusiasm of many university scientists for commercial activity in biotechnology during the 1980s as well as the substantial opprobrium that was attached to those who left the academy to form or join new biotechnology firms during the formative years of that industry. However exciting such transitions may be, they are also personally hazardous in that, as these shifts occur, individuals begin to lose their sense of identification with the norms of their prior organizations and professions (Ibarra 1999). As described by Zabusky and Barley (1997), individuals in these circumstances have liminal identities, a condition of sitting on a boundary, neither here nor there.

Such ambiguity requires resolution. Storytelling, as many theorists (e.g., Boje 1991; Bruner 1986; Gabriel and Connell 2010; Polletta 1998, 2006) have argued, is a primary way that people generate meaning for discordant and seemingly disjointed events, which is especially important in situations that challenge individuals' established self-understandings. As Gabriel and Connell (2010, p. 508) noted,

Stories are cocreated in the course of ordinary conversations between several people; these are fragmented narratives that surface fleetingly during interactive conversations and do not conform to traditional story structure with beginning, middle, and end. They do, however, enable participants to experiment with solutions to problems, try out explanations and interpretations and gauge how well these play with their interlocutors.

In fact, Lave and Wenger (1991) described storytelling as central to the formation and evolution of communities of practice. Early storytelling in communities of practice typically does not entail grand narrative or formal theorization, although theorization (Strang and Meyer 1993) may occur after a collective has formed and its members seek to mobilize additional support, as we discuss later. And it is not an intentional form of self-representation to attract others into the community (e.g., Polletta 1998), gain legitimacy (e.g., Aldrich and Fiol 1994), or acquire resources (e.g., Martens et al. 2007).

Rather, early stories in emerging communities of practice are less deliberate, more varied, and even tentative, as participants try on different versions of a story and explanations for their increasingly intense involvement. For example, Lounsbury and Crumley (2007) described early and disparate versions of a community's stories in the U.S. mutual fund industry as innovative anomalies that initially did not cohere into a grand narrative or involve formal theorization.

Narrative researchers refer to this kind of storytelling as "small talk" (Bamberg 2005, p. 223) or "small stories" (Moissinac 2007, p. 230) that are conversationally embedded and told in mundane encounters and everyday circumstances. The telling of small stories in everyday life, especially in new domains of activity or in connection with new practices in a familiar domain, typically generates only fragments of meaning, as participants make tentative suppositions about what may be going on (Boje 1991) and envision possibilities for a new and different way of doing things. Even such fragments, however, begin to be integrated into participants' understanding of themselves and remembered as personal experience (Wenger 1998).

Storytelling, then, is a process through which participants in a new community of practice construct their new practices as meaningful and comprehensible, primarily to themselves. The more emotionally, physically, and cognitively engaged participants are in the community of practice, the greater the need for storytelling as a way to make sense of the new activities, as shown in the first set of arrows in Figure 1.

PROPOSITION 1. *The likelihood that enthusiasts will develop and tell stories about themselves and the new activity increases with the intensity of their involvement in the new community of practice.*

Identification with a Story World

When communities of practice are new, a relatively low degree of narrative integrity among participants' stories typically exists, even when storytellers care passionately about the practice and the community. Early stories tend to be fragmented and multivoiced (Freeman and Brockmeier 2001) as participants construct meanings that are individually relevant. As participants more actively engage with the stories of others, however, they socially negotiate a set of increasingly common story elements. Moreover, the story references shift from "who am I?" to "who are we?" and "what are these activities in which we are jointly engaged?" (De Fina 2006).

Such negotiations lead enthusiasts to weave their various and individual stories into a commonly shared story that narrative theorists refer to as a "story world" (De Fina 2006). *Story worlds* are collectively constructed representations of common interests, affiliations, and activities that describe the context of activity and

the roles of participants as protagonists. They tend to be, out of necessity, more abstract than individual narratives to accommodate shades of interpretation that allow the inclusion of individuals' more particular narratives (Cheney 1992, Fiol 1994). For example, as the proponents of nouvelle cuisine (Rao et al. 2003) engaged with one another, a story about the new practice began to emerge, a story that reflected the passion and interests of participating individuals, despite likely individual differences in their approach to this new cuisine. Participants can thus perceive consistency between their personal and common self-representations while potentially disagreeing on or choosing to ignore the particulars.

Perceived story consistency strengthens participation in the community because it provides self-confirmatory feedback, thereby satisfying people's need for predictability in relationships and representations to others (Swann 1987, Swann et al. 1992). Perceived consistency of a community's story also enhances participants' ability to develop a distinctive image of themselves as different from others. The socially negotiated story world thus reflects and sharpens people's individual concepts of a distinctive self. Social identity research has demonstrated that people identify with *groups or individuals* who confer self-consistency and self-distinctiveness (e.g., Dutton et al. 1994, Fiol 2002, Mael and Ashforth 1992). In the case of an emerging community of practice, a ready-made group does not initially exist, and participating individuals are still relatively fragmented. To the extent participants share a story world that appears consistent, however, they may begin to identify with the story and its protagonists for the same reasons people identify with groups—because doing so enhances their own self-consistency and self-distinctiveness. The protagonists represent somewhat abstracted versions of individuals' self-constructed roles in the narrative. A story world is thus a medium through which people connect to each other and begin to shape the boundaries of their commonality (Brockmeier and Carbaugh 2001).

As an example, consider the dot-com boom of the 1990s and the eventual association of this new category of organization with youthful energy and irreverence for the profit-oriented practices of established businesses, the so-called "new economy." It would have been difficult to predict this demographic association at the outset of the boom. Nonetheless, as young and initially inexperienced entrepreneurs—e.g., Jerry Wang of Yahoo!, Joseph Park and Yong Kang of Kozmo.com, Michael Saylor of MicroStrategy—proliferated consistent stories about themselves, their activities, and their efficacy, they became attractive to American twentysomethings, who began to identify with the story of youth and energy as the principal ingredients of success. Although many actors were involved in the evolution of this story, including journalists who seized on the drama of inexperienced organization builders, it took hold only as young

people embraced the elements of the story world as self-representations of their own distinctive talents.

The development of a consistent story world can especially thrive in the context of opposition, as social movement theorists have emphasized (Benford and Snow 2000). Involvement framed as opposition increases the emotional intensity of participation in a community and thereby, potentially, the willingness to commit significant time and energy to the community. Opposition may also spur the development of a more consistent story world in that it prompts members of a community to frame their various individual and collective roles in terms of who they are *not*, a crystallization that often polarizes and unifies people's worldviews (Fiol et al. 2009).

A progression from individual storytelling to jointly produced story worlds is necessary for the persistence of an emerging community. Although we suspect that dissolution is the typical result of most nascent communities of practice, continued active engagement with a collectively constructed story world helps participants negotiate a set of increasingly consistent story elements. Greater consistency of the jointly produced story world increases the likelihood that participants will identify with it, as shown in the second set of arrows in Figure 1.

PROPOSITION 2. *The likelihood that enthusiasts will identify with the story world they have jointly produced increases with the degree to which they perceive it to be consistent with their individual self-representations.*

Development of a Collective Identity

Enthusiasts' identification with their story worlds remains primarily an individual phenomenon unless and until individuals internalize the stereotypical attributes that are shared with others in the story whom they perceive to be representatives of the same social category (Haslam and Ellemers 2005). Strong individual identification with a common story world predisposes people to interpret the world in ways consistent with the values underlying their story and therefore consistent with one another's values (Haslam and Ellemers 2005). This leads to a subtle but very important psychological shift, as people move from jointly producing their story world and beginning to identify with it to internalizing the attributes and values of actors who are featured in the story world such that people begin to define themselves in collective terms, i.e., as more or less interchangeable members of a group that is distinguishable from other groups. It is a shift from individuals finding meaning and understanding about their new practices in the telling of their story to the story and its protagonists (the new collective) beginning to define the participating individuals. Defining themselves as part of a collective involves people developing a growing sense of belonging to or "we-ness" of the new community, as well as perceived

similarity among its members and difference from outsiders (Brewer and Gardner 1996).

As enthusiasts increasingly internalize the norms and values of others who share their story world, they also come to believe that they share a common fate (Ashforth and Mael 1989), i.e., the same story line. Identification with this new collective becomes the basis for them to perceive and interpret the world in similar ways and to engage in processes of mutual social influence that allow them to coordinate their behavior (Haslam 2001, Haslam et al. 2003). The stronger individuals' ties of identification to the collective, the stronger the collective identity will be (Haslam and Ellemers 2005).

Haslam et al. (2003) drew on communication studies that provide evidence that strong identification with a collective leads members to become (a) more willing to communicate with one another, (b) more open to others' communications, and (c) more likely to interpret communicative acts in similar ways. In fact, identification with a collective has been described as a form of unobtrusive control (Tompkins and Cheney 1985): first, because it guides people to "see" certain problems and not others; and second, because it biases their choices toward alternatives beneficial to the community with which they are identified (Bullis and Tompkins 1989). These perceptual processes function as social influences to narrow the decision makers' span of attention and alternative actions. Bullis and Tompkins (1989) provided empirical support for this form of unobtrusive control in a longitudinal study of control practices in the U.S. Forest Service. They found that members in highly cohesive collectives tended to think in concert and that opposing viewpoints or stories simply were not heard. Hogg (2003) argued, somewhat differently, that when opposing stories are told by individuals who identify themselves as insiders, they attract even greater negative reactions from fellow insiders than do outsiders because such opposition threatens the integrity of the community.

In sum, identification with their jointly produced story world leads individuals to believe that they share the same story lines with the same endings with others in their community and gives differentiation from outsiders. The characteristics and values embodied in those stories reflect a collective identity that increasingly guides the perceptions and behaviors of its identified members. Strong identification makes people reluctant to alter or oppose the story world that is important to the community's emerging sense of itself. As indicated in the third set of arrows in Figure 1, we thus argue that enthusiasts' identification with their story world increases the likelihood that a collective identity will emerge.

PROPOSITION 3. *The likelihood that a collective identity will develop increases with the strength of enthusiasts' identification with the jointly produced story world.*

A sense of collective identity increases the draw and influence of the new community for enthusiasts because it entails self-definition. Self-definition is more difficult to withdraw than involvement or effort. Defining oneself as one with similar others exerts a binding influence, because to leave the community requires a mental re-ordering about oneself (Fiol 2002). This is true at the firm level as well. As member firms of a strategic group become more identified with their group, they have more of a stake in the group and a stronger interest in maintaining their membership (Peteraf and Shanley 1997). The possibility of withdrawal from the community thus declines when members (individual or organizational) come to see themselves as a collective with a shared identity. Consistent with this argument, Van Vugt and Hart (2004) conducted a series of lab experiments and found that group loyalty (the desire to stay with the group in the presence of an attractive exit option) was better explained by individuals' self-identification with the group than by prior investments in the group.

Development of Similarity Clusters

Theorists have tended to assume that environmental opportunity and perhaps the example of an iconic entrepreneurial organization are sufficient to elicit the actions of a relatively large number of entrepreneurs. They further assume that a naturally emerging collective identity ensures a similarity of features among the new organizations. Some have pointed to the implicit incentives of entrepreneurial activity in response to the rise of some new opportunity in the environment, e.g., technological innovation (Tushman and Anderson 1986) or increases in the concentration of mass market producers (Carroll and Swaminathan 2000), either of which opens a new environmental space (Astley 1985). Others have noted that when the size of a collective increases, or when many of the members have founding experience, the formation of a similarity cluster is more likely. For example, Greve et al. (2006) showed that both the number of enthusiasts for low-power FM radio stations and their experience in founding nonprofit organizations positively influenced the rate of organizational founding out of the community of enthusiasts. Finally, theorists have noted the importance of a strong collective identity in motivating entrepreneurs to delineate the features and boundaries of an emerging organizational form (Swaminathan and Wade 2001).

Environmental opportunity and collective identity are important explanations for the rise of a similarity cluster, but neither can be assumed as sufficient. Opportunity alone does not guarantee the founding of similar organizations. For example, Holbrook et al. (2000) described several distinctive and logically viable types of organization that emerged during the very early years of the semiconductor industry, before Fairchild Semiconductor

(later to become Intel) established recognizable characteristics of an organizational form that others imitated. Strong attention to the evolution of realized new organizational forms has, in many cases, obscured the presence of substantial variety and contention that may have characterized their early evolution.

Studies of collective action based on a presumed collective identity, as indicated by common demographic indicators, have also been inconclusive. As discussed by Greve and Rao (2008), research has shown that *both* greater and lesser diversity in a demographically defined collective is associated with a greater likelihood of collective action. Definitions of collective identity on the basis of observed similarities, e.g., occupational or demographic similarities, among individuals or organizations fail to consider the strength of individuals' identification with groups. People are members of many groups with whom they share observed similarities (e.g., mothers, wives, daughters, professional groups, political parties, neighborhood associations, yoga studios, and so on). There is great variance, however, in the extent to which these groups are self-defining. A key difference between an identity-based definition of a collective and definitions that are based on observed similarities is that the former relies on the strength and nature of members' attachment to the group, rather than on their similarity along "objective" physical, psychological, or behavioral characteristics that outsiders may observe (e.g., demographic characteristics).

Social psychological research has demonstrated that the strength of a collective identity (i.e., the extent to which it is self-defining for members), rather than observed similarity among members of a group, predicts their willingness to engage in collective action (Brewer 2001, Ellemers et al. 2003, Haslam and Ellemers 2005). As Cerulo (1997) noted, the literature on new social movements, too, suggests that when a collective identity is salient to individuals' definitions of self, they are more likely to assume a common agenda for action and to mobilize to produce a special form of agency, a self-conscious "collective agency" that arises to promote the collective's self-expression. Drawing on these research streams, our model posits that a strong collective identity leads to the formation of similarity clusters because it becomes sufficiently self-defining to elicit behaviors that express that identity.

Significant research has empirically documented that a strong collective identity that is self-defining for members is a key determinant of their commitment to collective action and their ability to follow through even on failing collective projects that they might otherwise abandon (Kelly and Kelly 1994, Haslam et al. 2006, Haslam and Ellemers 2005). Tyler and Blader (2000), for example, compared the ability of interest-based (e.g., resources obtained, sanctions, incentives)

and social identity-based (pride, belonging, trust) factors to predict a number of collective behaviors. When considered alone, interest-based factors predicted 10% of such behavior; when considered alongside identity-based factors, however, the contribution of interest-based factors went down to approximately 0.6% and was significantly lower than that of identity-based factors (approximately 16%). The authors concluded that although interest-based costs and benefits are important to people, what counts as a cost or as a benefit cannot be established apart from the social identities that give it meaning (e.g., the resources obtained connote status and respect in one's group).

Collective action, when spurred by a strong collective identity, is synonymous with self-definition, self-expression, and even self-preservation (Haslam et al. 2006). For example, cardiologists and heart surgeons in the Indianapolis area recently began to establish specialty heart hospitals. Other physicians from within that medical specialty followed suit, viewing the ventures as potentially money making but also as a means of self-definition and self-expression. As a result, the area soon became a hotbed of such outpatient surgery centers (O'Connor 2008).

Conversely, if individuals are part of a collective identity that is not particularly salient to their self-definitions, they are not likely to mobilize into action, despite the existence of internal capabilities and external opportunities. As an example, although most physicians in the United States today claim a collective identity as "physicians," this general identity category has not been strong enough or sufficiently self-defining for them to collectively mobilize to engage in projects that would enhance the image of physicians as a group, despite ample opportunities and the capabilities to do so (Fiol and O'Connor 2009). As O'Connor (2008) described, a number of physicians recently met to establish a medical specialty society to represent physicians practicing in the field of pain medicine. The practice of pain management is multidisciplinary, involving anesthesiology, internal medicine, neurology, and other subspecialties. Progress to establish and certify the Society for Pain Medicine was significantly inhibited because member physicians initially identified with each of their subspecialties (anesthesiology, etc.) much more than with pain medicine, showing little enthusiasm early on for joining the collective effort.

Collective identity thus provides a critical bridge between member identification (individuals who identify with a common story world) and similarity clusters (the collective action of founding similar new organizations), as shown in Figure 1. The power of a collective identity to mobilize people to action lies in the extent to which it is strong enough to be self-defining and to elicit behaviors of self-expression. At the extreme, a collective identity may be so centrally self-defining that it

requires interest-threatening or even life-threatening collective action. Calhoun (1991), for example, explained Chinese students' readiness to knowingly risk death in Tiananmen Square on the night of June 3, 1989, in terms of a collective identity that became increasingly and, in the end, irrevocably self-defining. Our final proposition, indicated by the fourth set of arrows in Figure 1, summarizes the mobilizing properties of strong self-defining collective identities.

PROPOSITION 4. *The likelihood that a similarity cluster will emerge increases with the strength of the collective identity.*

We have depicted the mediating relationships in Figure 1 with one-way arrows to highlight the path to the development of emerging similarity clusters that is most directly based on prior research. The processes from member identification to collective identity to collective action in similarity clusters, however, are clearly self-reinforcing. As people become more identified with a collective identity, it is likely to become stronger and thus more salient and self-defining, which (given opportunities and capabilities) encourages collective action, which in turn strengthens the collective identity and member identification.

The processes we have described leading to collective action also expand as they self-reinforce. If a collective identity category becomes fixed in the minds of insiders and outsiders, new members may be drawn into the collective through self-definition. For example, once the category "dot-com entrepreneur" became strongly associated with youth, young people identified with the category and flocked to form new businesses based largely on their beliefs that youth was a sufficient qualifier (Lounsbury and Glynn 2001).

Objectification of New Organizational Forms

Berger and Luckmann (1966) described the objectification of the features of a social category as a process by which a category comes to exist as a taken-for-granted reality "out there." As we noted, in the emergence phase, the social identification of early community participants and their increasing belief in a common destiny may result in a collective identity that becomes the wellspring of entrepreneurial activity. These processes, however, do not objectify the features of the community such that insiders or outsiders are able to perceive the community as a social entity that is taken for granted as unique or distinct from other entities.

Hannan and his colleagues (Pólos et al. 2002, Hsu and Hannan 2005, Hannan et al. 2007) have explained the process of identity formation in the broader society as a function of audience perceptions and understandings, and a growing body of empirical literature

(Zuckerman 1999, McKendrick et al. 2003, Rao et al. 2003, Hsu 2006) has demonstrated the role of attention and cognitive categorization by external audiences in the formation of new organizational identity categories. As described in that literature, the presence of a similarity cluster, especially when firms are geographically collocated (McKendrick et al. 2003), promotes recognition by external audiences as well as their ability to perceive both the similarity of firms in the cluster and their distinctiveness from alternative organizational forms that produce similar products and services. This “perceptual focus,” as McKendrick et al. (2003) called it, increases the likelihood that audiences will recognize the new practices as legitimate and will direct resources to firms that conform to the characteristics of the new form (Zuckerman 1999). Others have noted that the activities of institutional entrepreneurs (e.g., Aldrich and Fiol 1994, Rao et al. 2003) and the development of field-configuring events (Lampel and Meyer 2008), such as the formation of industry associations that establish and maintain boundaries around the features of new organizational practices (Swaminathan and Wade 2001), are critical developments in the objectification of a new organizational form.

Social movement theorists have also pointed to public narrative as an effective tool for formalizing, through theorization, the essential elements of a practice. Strang and Meyer (1993, pp. 492–493) explained theorization as the “self-conscious development and specifications of abstract categories and the formulation of patterned relationships such as chains of cause and effect” that serve to smooth over differences in individual accounts and to facilitate “communication and influence between weakly related actors, and between theorists and adopters.” For example, in their analysis of the rise of French nouvelle cuisine, Rao et al. (2003) described the “10 commandments” of the emerging new form of cuisine as a publicly theorized account of an increasingly prevalent new practice for food preparation. The theorized account, at the same time as it formalized and publicly promulgated the features of the practice, drew on years of experience and examples of practiced nouvelle cuisine by chefs located throughout France. As discussed by Strang and Meyer (1993, p. 493), “Interaction between potential adopters may construct shared theories of the world, the nature of the interacting pair, and the mutual relevance of different practices.”

We agree that such conditions and events help establish a taken-for-granted identity of a new organizational form. Ultimately, similarity clusters that do not garner the attention of and objectification by external audiences will fail to persist. Organizational members of the cluster, even given a strong collective identity, may be led (or even forced) to try variations of their form to attract resources. Important audiences may also exact certain

changes in the emerging organizational form as a condition of supplying capital or other important resources. Similarity clusters are thus not fully instantiated new organizational forms until they are recognized by external audiences. They are, however, the nascent organizational forms or “seeds” of recognition by external audiences, whose formation must be examined as a critical step in our understanding of the evolution of new organizational forms.

Over time, as members of a new organizational population negotiate among themselves and face negotiated constraints on identity characteristics imposed by outsiders, the form identity will become institutionalized as something objective and taken for granted. New organizations seeking either resources or classification as members of the population will be forced to adopt the established features. The organizational population’s identity will be strengthened both as a distinctive entity with unique distinguishing features and as a taken-for-granted presence. The new organizational form thus becomes objectified when external audiences recognize it and consistently label it as a distinct entity, as shown in the final arrows in Figure 1. Although this is a familiar argument in the population ecology literature, our model highlights it as the culmination of a trajectory including both the poorly understood microprocesses and the better-understood macrosocial forces.

Discussion and Conclusions

In this paper, we have taken on the question of how new similarity clusters emerge. Although a large and diverse body of literature has explored questions about how entrepreneurs discover opportunities for new types of businesses, about the role of environments and resources in shaping the characteristics of new organizational forms, and about the importance of institutional entrepreneurship in defining form characteristics and delineating boundaries around a new organizational form, little research has examined how new groups of quasi-similar organizations form in the first place. Our model delineates the processes by which entrepreneurial experiments may sometimes evolve into similarity clusters, which, as Hannan et al. (2007) argued, form the basis for audience recognition and objectification of a new organizational form.

Our four propositions map the progression from individual, to collective, and finally to organizational processes leading to the formation of a similarity cluster. In the earliest phases of the process, individual involvement in a common new domain of practice defines the amorphous community; in later phases, the community comes to define the participating individuals. That is, individuals begin to see themselves less as differing individual persons and more as the more or less interchangeable representatives of a shared social category.

The progression through these phases moves from less to more structure, from more permeable to less permeable boundaries, from less to greater intentionality of participants, from primary involvement and identification with other communities to primary involvement and identification with the story world defining the new community of practice, and from little to a lot more at stake for those involved. At any phase, the community may fail to cohere or persist; thus, the nascent potential for a new organizational form may never be realized. The probability of community dissolution, however, diminishes with the progression through each of the phases we have described: to the extent that the story world that participants have jointly created is consistent and becomes salient and attractive to them, they are more likely to become identified with it; to the extent to which they begin to self-identify with the new collective, its norms and attributes will begin to guide their collective behaviors; and to the extent that a similarity cluster forms, the community takes on greater structure (e.g., functional roles and relationships within and across the organizations begin to be established), its boundaries become clearer, and its participants become more intentional about their interdependent activities. This is the point at which most current theorizing begins when examining organizational form emergence, because this is when the emerging collective becomes somewhat observable and identifiable.

The process of identity emergence we have described may unfold more easily and be less susceptible to dissolution, even in the earliest phases, to the extent that there is (1) an external impetus, such as a regulatory mandate, directing the nature of the activities; (2) a charismatic leader or spokesperson to spearhead and sustain the activities; and/or (3) external opposition that helps crystallize the nature and purpose of the activities. We deliberately avoided building our model on any presumption of agency of specific charismatic individuals, powerful governmental bodies or associations, or any crystallizing opposition in order to describe the poorly understood emergence process in the absence of such catalysts. Although such catalysts may exist even in gradually emerging communities (e.g., Chiles et al. 2004), we agree with Garud and Karnoe's (2003, p. 277) assertion that often "entrepreneurial agency is distributed across actors." Intentional agency, distributed or not, may often be absent, however, in the initial emergence phase of an organizational group's identity development. This is not to say that early entrepreneurs in such a process are always acting unintentionally. Even the most powerful Machiavellian actor may be taken off course by unpredictable events and the counteracting activities of others in a new setting. As Czarniawska (2003, p. 134) noted, "Intentional action never leads to intended results, simply because there is a lot of intentional action directed at different aims.... Institutionalization... is a post factum

description of the resultant of all those efforts combined with the random events that accompanied them."

Even in the absence of singular intentional agency in the initial phases of form identity development, the before-identity processes do not evolve randomly. As we noted, individuals' search for identity is motivated by needs for self-knowledge and self-consistency, especially in times of flux and great personal uncertainty, and the formation of a group with which to identify is fundamentally driven by those needs. Our model identifies the nonrandom components of the before-identity processes to encourage future empirical tests of our propositions.

In considering processes surrounding the earliest evolution of new organizational forms, we have grappled with seemingly disparate concepts of identity from several disciplines. At the individual and organizational levels, theorists have explored the influence of organizational identities on employees' commitment to the organization (Ashforth and Mael 1989, Dutton et al. 1994, Fiol 2002) and the influence of self-identification on members' willingness to engage in collective action even when it is risky (Haslam and Ellemers 2005). At the level of organizational forms, Hannan and his colleagues (Pólos et al. 2002, Hsu and Hannan 2005, Hannan et al. 2007, Zuckerman 1999) have demonstrated the importance of identity categories for audiences' understandings about organizational features and their consequent allocations of resources. Although our reading—each of us outside our home disciplines—has led us to perceive and emphasize more of the complementarities than the contradictions among the literatures, we do not suggest an integration of literatures as necessary to our arguments. Rather, we note the common concern in social psychology and organizational sociology for processes of emergence. We hope that our somewhat eclectic approach might stimulate others to similar considerations.

We have drawn from the central arguments of organizational ecology, social/organizational identity theories, social movement theory, and narrative/storytelling theories to develop our model. At the same time, our model contributes to each of those literatures. Organizational ecologists have focused on the eventual and necessary recognition of new organizational groups by relevant audiences and thus have bypassed to some extent the potentially contentious social negotiation processes that likely precede the coalescing of fragments of the new identity. Recent interest in institutional entrepreneurship (e.g., Maguire et al. 2004, Rao 2001, Rao et al. 2003, Ruef 2000), field-configuring events in the evolution of industries (Lampel and Meyer 2008), and the recognition by organizational ecologists that there are "seeds" of organizational forms that exist prior to recognition by audiences (Hannan et al. 2007) represent a welcome shift of emphasis to the early stages of emergence. Even this literature, however, tends to begin at

the point where similarity clusters already exist, making it possible to assume the role of organizing agents and/or associations, which avoids the likely antecedent processes of social interaction, storytelling, and identification. We contribute to this literature by focusing attention on those early interactions, which may *sometimes* lead to an organizational group with a new identity.

Social and organizational identity theorists, too, have avoided the indeterminate early before-identity processes in that they have tended to focus on member identifications with a social group that already exists and has a well-defined identity. They have not addressed what the early tenuous forms of identification might look like among interacting partners in the absence of a well-defined social group. To gain insights into these early processes, we drew on social constructionism and narrative research to theorize that prospective entrepreneurs make sense of the early interactions among individuals with diverse backgrounds by developing and telling stories that generate meaning for the new and seemingly disjointed activities. We traced the processes by which the tenuous beliefs and behaviors of the interacting partners over time and under certain conditions may jell into common understandings of a story world embodying a consistent self-definition. Our model demonstrates the power and relevance of social constructionism and narrative theory for tracing the path by which individuals may construct the very identities with which they later identify.

Our model also draws on and contributes to the social movements literature, especially in its consideration of narrative and identity (e.g., Polletta 2006). We have elaborated the social psychological mechanisms that underlie and promote the formation of collective narratives. Our model suggests that grievance and opposition, though they are often important catalysts for rapid collective convergence, need not always be a requirement for collective action. An important assumption of much of the research on social movements, as summarized by McAdam et al. (1996, p. 5), is that “at a minimum, people need to feel both aggrieved about some aspect of their lives and optimistic that, acting collectively, they can redress the problem. Lacking either one or both of these perceptions, it is highly unlikely that people will mobilize even when afforded the opportunity to do so.” Our model suggests that *emerging differences*, rather than *intentional opposition*, may sometimes characterize the earliest phases of the emergence of communities of practice. As differences are accentuated through the development of a more coherent story line, opposition is likely to emerge; in turn, such opposition is likely to spur the community to convey even stronger and more consistent claims about itself (Fiol et al. 2009).

Finally, we have drawn from the organizational literature on storytelling (e.g., Boje 1991, Gabriel and Connell 2010, Martens et al. 2007). The temporal

sequence described in our model—from early fragments of unstructured storytelling meant to reduce uncertainty to more coherent and structured narratives meant to convey a legitimate identity—highlights the distinction between what Weick (1995) referred to as “sensemaking” and “sensegiving.” Early and unstructured sensemaking fragments in emerging communities of practice reflect the disorderly stories without a clear beginning, middle, and end that Boje (1991) described. By contrast, the later, more intentional sensegiving stories meant to gain objectification of a similarity cluster reflect the narratives that Martens and colleagues (2007) discussed as recasting events in order to make the facts appear both more ordered and more certain. Organization theorists have clearly noted (e.g., Martens et al. 2007, p. 1110) that “narratives shape not only how individuals view themselves, but also how others view them.” Our model draws a distinction between the two forms of storytelling, a distinction that we hope will guide future research to further hone and elaborate theories of storytelling in organizations.

Implications for Theory and Practice

A better understanding of the before-identity development processes is theoretically important because it focuses attention on the ways that new ideas or practices take hold in an economy and eventually alter the industrial landscape. Although the emergence of new organizational forms has been taken for granted among theorists from many disciplines and touted as a fundamental driver of economic wealth and well-being, others have noted that societies differ substantially in their abilities to produce such variation and innovation (e.g., Geertz 1968). If we are to escape the convenient assumption of exogenous events as the primary spur of innovation, we must pay attention to the processes by which new ideas may sometimes be realized into similarity clusters (but often are not) and, eventually, recognized new organizational forms.

The interaction of internal processes of identification and external recognition stands as a next important arena for research. As Suchman et al. (2001) have described in the context of legal contracts for dot-com organizations, neither external audiences nor internal actors fully control the eventual identity of an organizational form. In the evolution of that organizational form, venture capitalists evolved understandings—and, over time, common understandings—about the right and appropriate features of the form, e.g., a need to emphasize scalability as a condition for capital investments. Although portrayed in that research as mainly an externally constraining influence on the characteristics of organizations applying for capital, a salient question arises about how venture capitalists came to believe in the importance of scalability. In effect, a story began to be told about the necessary features of the successful dot-com organization. Such

stories, whether fully true or not, evolved, at least in part, from the stories told by dot-com entrepreneurs in their emerging communities of practice. More research is needed into the nature and timing of interactions between internal and external actors in identifying the seeds of an emerging organizational form. Our model sets the stage for this exciting research agenda by delineating the before-identity processes and theorizing about a number of necessary conditions for the emergence of similarity clusters.

Our arguments also have practical implications for public policy. Millions of public dollars are spent annually in the United States alone on attempts to build or attract new industries. The focus has tended to be on visible drivers of industry development (e.g., university technology transfer programs, science parks, the attraction of prominent entrepreneurial ventures). For every one of these visible drivers that is touted in the popular literature as a route to establishing the location of a new industry, formal research quickly reveals its inadequacy for producing the outcome. Miner et al. (2001), for example, took on the popular idea that promoting technology transfers from universities is strongly associated with vibrant entrepreneurial activity. Their systematic review of the central arguments underpinning this expectation and the empirical evidence shows that, at a minimum, the device is insufficient to produce the outcome. McKendrick and Carroll (2001) showed that industry associations, when they are characterized by conflict among members about the central features of their organizational form, are no panacea. And Feldman (2003) argued that money spent to attract prominent firms in an emerging industry is misguided in that it not only ignores but also reduces resources that are available to smaller local organizations that may be the wellspring of new industry development. Our theory informs policy by directing attention to the conditions and social processes that underlie and potentially moderate the more visible drivers of industry development. If we do not understand the origins of such development, we will continue to somewhat blindly spend more resources, hoping it will somehow work out.

Finally, of course, there is a need for future research to empirically test our propositions. Empirical testing of our model will need to cross levels of analysis. In the emergence phase, individuals—their perceptions, interests, and incentives—drive the processes of early involvement in communities of practice, storytelling, and identification (bottom line in Figure 1). As prospective entrepreneurs come to define themselves as a collective, they begin to specify and claim their distinctive collective attributes (middle line in Figure 1). At this stage, both individual- and collective-level phenomena form the basis for theorizing about identity formation, because individuals begin to use the collective as a way of defining themselves. In the postsimilarity cluster objectification phase (top line in Figure 1), extragroup phenomena

become important, including the interactions between the new organizational group and external audiences.

Testing our theory will present no small challenge for us as researchers. Although we have limited our theorizing in this paper to the poorly understood before-identity microprocesses that underlie better-understood macrolevel phenomena, the most robust test of our theory entails the integration of the two. The integration of such distinct research traditions demands similar integration of the diverse approaches for empirical data collection and testing. For example, researchers applying a social constructionist lens would lean toward ethnographic methodologies to capture the early relatively informal interpersonal storytelling processes we have described. Organizational ecologists, in contrast, would gravitate toward investigation of population vital rates to demonstrate the importance of density in the evolution of new organizational forms. In writing this paper, we have repeatedly encountered our own difficulties in merging the language and norms of theorizing from our different theoretical perspectives. Nonetheless, because organizational form emergence and objectification depend on the micro and macro as well as internal and external conditions and processes, we see no alternative.

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