

**Manuscript Title**

Entrepreneurial Imagination in Detroit: Discovering Birthing Processes of Post-Corporate Alternatives

**BACKGROUND**

The American economy is going through an historical transition in which the shareholder-centered large corporation model is no longer the single dominant form of business organization. Statistical evidence suggests the relative decline of corporate dominance in the economy. The number of public corporations in the US in 2009 was only half of that in 1997, and this number declined by 20% only between 2008 and 2009 (Davis, 2011). The number of initial public offerings (IPOs) is also rapidly declining. The annual average number of IPOs during 2001 and 2009 is only a third of that number during the time period between 1980 and 2000. IPOs are becoming less profitable especially for small firms. An increasing proportion of IPOs with less than \$50 million annual sales is reporting negative earnings per share (EPS) during the first three years after IPO (28% in 1980, 53% in 1995, and 74% in 2009) (Ritter, Gao, & Zhu, 2012). The US Census data suggest the decline of corporation's overall influence over the economy. The contribution of corporations to the entire US economy has declined from 75% in 2002 to 71% in 2009 in terms of employment, and from 80% in 2002 to 74% in 2009 in terms of payroll.

Along with these trends, diverse alternative organizational forms are on the rise. Breaking the old dichotomy between for-profit and non-profit, each of these novel forms occupies a specific niche on the continuum between for-profit businesses and non-profit organizations. Close to the for-profit end, there are newly-introduced legal structures such as Flexible Purpose

Corporations and Benefit Corporations, as well as certified organizations such as B Corporations, all of which create a legal framework obligating businesses to actively consider the interests of diverse non-stockholding stakeholders (e.g., environment, labor, community) in addition to the financial gain of shareholders (Marquis, Klaber, & Thomason, 2010; Reiser, 2012). Near the opposite pole stand Low-profit Limited Liability Companies (L3Cs), an organizational vehicle that allows nonprofit charities to engage in profit-making activities to a limited extent (Timmerman, Jongh, & Schild, 2011). Elsewhere on the spectrum, we are also observing the resurgence of more traditional alternatives including mutuals, cooperatives, and state-owned enterprises whose unique structure fosters the creation of an enterprise serving for diverse purposes and constituents, not just shareholders (Schneiberg, 2011). Recently, these alternatives are getting repurposed in a form of worker-owned business to lead the economic revitalization of old manufacturing centers such as Cleveland (Alperovitz, Williamson, & Howard, 2010).

These trends do not necessarily suggest that the corporate model is no longer viable or will soon be replaced by something else. Just as the partnership and sole proprietorship model persist after the emergence of corporations, corporations will continue to exist as one of the representative forms of business organizations. However, these trends suggest that entrepreneurs in the current historical phase are likely to enjoy a longer list of potential forms than they would have done during the last century. Therefore, the typical growth trajectory of successful entrepreneurship in the 20th century -- becoming a public corporation through profitable IPO -- may no longer be as typical in the current era. Possibly, it would be one of many pathways for entrepreneurial success.

It is particularly important to understand this proliferation of new forms within the concrete historical context of the dominance and potential decline of corporations. The evolution

of the public corporation form throughout the 20th century increasingly decoupled its the social mission and profit-generating functions, rendering the latter the supreme purpose of corporations to which the former is largely subjected. In its inception, the public corporation model was employed to conduct large-scale tasks for the public benefit, such as canal or railroad construction, where the involved risk is too large for private merchants to bear (Roy, 1997). For the corporations in those days, it was hard to distinguish economic profits from social benefits because such social values were so deeply embedded in the purpose of corporations and economic returns to the shareholders were determined by the realization of such values, not by the dynamic movement of stock price in the “efficient market”. Even after the corporate form was picked up by the emerging industrial merchants, corporations were still understood responsible for the interest of the broader society, not for the shareholders. In this era of managerialism, corporations indeed were the institution at the center of the society, providing not only the dividend to shareholders, but also employment, health insurance, retirement benefit, education, and philanthropic contribution (Davis, 2009). Even Berle, who was among the early advocates for shareholder primacy, later changed his position by abandoning the notion that public corporations should be run according to the principles of shareholder value (Stout, 2012).

However, with the spread of neoliberal economic theories (e.g., agency theory) and ensuing “law and economics movement” from the late 1970s, shareholder value maximization has become the sole legitimate purpose of corporate governance and the pursuit of other stakeholder values became considered as an immoral breach of fiduciary duty of corporate officers to the shareholders who “own” the corporations. It has increasingly become a taken-for-granted notion that managerial decisions should be made not based on the public interest of diverse stakeholders surrounding the firm operation, but based on the private interest of

shareholders which is largely determined externally in the financial market (Davis, 2009; Krippner, 2011). By the turn of the new century, the notion of shareholder primacy established itself as the single dominant principle of organizing and operating businesses (Stout, 2012).

The current increase of organizational form diversity is occurring at this historical moment, as new forms are devised to constrain an extreme pursuit of profit and to mandate businesses to consider the welfare of non-stockholding stakeholders. Benefit Corporations deliberately constrain a blind of pursuit of shareholder value by obligating corporate officers and managers to actively consider the interest of the entire constituencies that are affected by the firm operation. Flexible Purpose Corporations also effectively eliminate shareholder primacy by freeing firms to choose whichever stakeholder they want to serve as the primary stakeholder. Low-profit limited liability company law places the limit on the profit and mandates business organizations to pursue missions that yield social and environmental values. More radically, worker-owned cooperatives obscure the boundary among managers, owners, workers, and community, which has been emblematic of the public corporation model. In a sense, these new forms might be seen as nothing new but a regression to the earlier-day businesses where profit-seeking activities and social, environmental value creation were not necessarily separated. However, it is certainly a historical product of corporate dominance and financialization that the current society needs a new legal form to transcend such artificial decoupling of social mission and profit-making and to go back to the old days. In this sense, it is important to consider the emergence of social entrepreneurship and business-social hybrid organizations within the concrete historical context and see them as representing the desire and attempt for post-corporate organizational alternatives.

The current research focuses entrepreneurs in this historical context and their process of organizing a business. Going public through a profitable IPO has been a typical aspiration of ordinary entrepreneurs for a long time, but now the entrepreneurs of new generations are seeing the decline of the dominance of such model, with no established alternative at hand. Through a field study among the entrepreneurs in the current times, this research observes and documents how they navigate through the sea of increasing uncertainty to the unexplored territory of alternative organizing.

## **LITERATURE REVIEW**

Despite this looming wave of transition in practice, organizational scholarship has not yet paid sufficient attention to how new organizational forms emerge as an alternative to public corporation model of the 20th century. A growing convergence between institutional theory and social movement literature significantly enhanced our understanding on how new organizational forms emerge, particularly as a function of the surrounding social structure (Rao, Morrill, & Zald, 2000; Stinchcombe, 1965). However, while most research focused on the emergence of new industries or sub-industries (e.g., Carroll & Swaminathan, 2000; Hiatt, Sine, & Tolbert, 2009), only a few studies looked at the emergence of a new form in terms of organizational structure or governance model (e.g., Roy, 1997; Schneiberg, King, & Smith, 2008). Furthermore, there has been little investigation on the alternatives to the shareholder-centered public corporations, in spite of the increasing calls for research on the economy and society after corporations (Davis, 2013). Moreover, although studies in this stream of research well documented the impact of

external social structures on the rise and diffusion of new forms, they rarely focused on the in-depth process through which the new forms are formed from the genesis of entrepreneurial ideas.

Similarly, the entrepreneurship literature has been largely confined within a view that entrepreneurs are profit and efficiency maximizers, paying little attention to the possibility of a new type of entrepreneurship whose purpose is not limited to maximizing economic returns. Existing research in entrepreneurship provided important insights into how entrepreneurs acquire information about opportunity and how they successfully secure initial funding. Primarily focusing on the attributes of individual entrepreneurs, this literature has found that entrepreneurs obtain important information from their earlier work experiences in the same industry (Aldrich & Ruef, 2006) or from the diverse social networks (Renzulli, Aldrich, & Moody, 2000). As for the capital procurement, researchers have found an important role of the prior affiliation of founders, which was found to lead to more profitable initial public offerings (Stuart, Hoang, & Hybels, 1999), more venture capital investment (Burton, Sørensen, & Beckman, 2002), and more prestigious underwriters for initial public offerings (Higgins & Gulati, 2003). However, in spite of these accumulating evidence, the entrepreneurship literature tells us very little about the entrepreneurial process aimed at alternative forms, because of its almost exclusive focus on the success factors of profit-maximizing entrepreneurs whose aspiration is almost always predetermined to be a profitable IPO and subsequent material prosperity. In other words, these studies largely overlooked those kinds of entrepreneurs whose business activities are devoted to other values than economic profits and who engage in a social movement against the structural imposition to follow the same taken-for-granted route to economically successful entrepreneurship.

From a related but different perspective, recently emerging literature of social entrepreneurship and hybrid organizations has begun to transcend the boundary of profit-driven entrepreneurship and started to pay attention to the novel organizational forms alternative to shareholder-centered corporations (Dacin, Dacin, & Tracey, 2011). Research in this area has largely been devoted to examining the primary challenges posed to this different type of entrepreneurs -- integration of often-conflicting commercial and social logics within one organization. For example, studies documented how they integrate disparate member identities that originated from non-profit versus for-profit backgrounds (Battilana & Dorado, 2010) and how these organizations synthesize potentially conflicting institutional logics in their organizing efforts (Tracey, Phillips, & Jarvis, 2011). However, while this growing body of research significantly expanded the coverage of the entrepreneurship research beyond profit-centered businesses, we still do not know much about the genesis of these new forms, or the early-stage organizing processes of these post-corporate alternatives. Given the significant imprinting effect of the early-stage process on the growth of a new organizational population (Aldrich & Ruef, 2006), understanding the organizing process of nascent entrepreneurs, who are aspiring to deviate from the traditional pathway to the corporate model, seems deserving more attention.

### **RESEARCH QUESTION**

The purpose of this research is to provide theoretical and empirical insights into these gaps in the literature, thereby generating a more in-depth account of how the emerging shift towards a more organizationally diverse economy unfolds in the everyday activities of entrepreneurs on the ground. Specifically, this research focuses on the “birthing process” of post-

corporate organizational alternatives, through which a germ of an entrepreneurial idea for a socially motivated business is transformed into the initial foundation of the enterprise. Through an ethnographic field research in a sustainable business incubator in Detroit, this research seeks to find answers to the following research question: what is the early-stage entrepreneurial development process for a business whose purpose is not limited to maximizing economic returns, and how is it different from the similar process of the more traditional, profit-driven entrepreneurship?

## METHODS

### *Context: Sustainable Business Incubator in Detroit*

Detroit provides a good context for the current research due to the city's strong historical legacy. Like Glasgow or Manchester for the first industrial revolution, Detroit's history and every corner of its street embodies the rise and fall of the American manufacturing based on the second industrial revolution, from which large corporations originate, thrived, and fell. Simultaneous failure of both market and government, dramatically shown in the recent bail-out of the big three motor companies and the following municipal bankruptcy, forces the city's entrepreneurs into a situation where they confront the real and urgent social needs, while lacking an established template to address the problem. Here, they have to be imaginative and create their own way. At the alleged bottom of decades-long fall, the city is experiencing an influx of young entrepreneurs trying to experiment with new possibilities, including mission-driven businesses tackling chronic problems of the community. In this sense, documenting Detroiters' inspiring everyday effort to revitalize the city would provide a great microscopic view of the broader transition where the



seed of new economy grows out of the debris of 20th-century prosperity. These aspects make the city an unusually revelatory, extreme exemplar (Yin, 2008), where the need for entrepreneurial imagination for post-corporate alternatives is significantly salient.

Urban Sustainability is a sustainable business incubator located in the Midtown Detroit. In the literature, the concept of business incubator is defined as “organizations that constitute or create a supportive environment conducive to the development of new firms” (Bergek & Norrman, 2008). Generally, business incubators perform four major functions including: 1) shared working place; 2) administrative support service to reduce overhead cost; 3) business development service and coaching; and 4) network opportunities both internal (with other entrepreneurs) and external (with relevant institutions) Urban Sustainability provides most of these functions. It houses about 40 small, mission-driven start-ups that are devoted to “triple-bottom-line entrepreneurship” that aims at simultaneously maximizing three bottom lines (instead of traditional businesses’ single economic bottom line) including planet (environment), people (community, employees), and profit. Entrepreneurs go through an informal interview with founders and staff of the incubator, through which both parties examine whether they share similar values regarding the multiple bottom line approach. Currently, the biggest business has five employees and most of the businesses are in a very early stage where the entrepreneurs are only (sometimes) paid employees.

Urban Sustainability provides not only the co-working space for start-ups, but also diverse types of business development services. First, there are personal coaching sessions (“one-on-one sessions”) for start-up entrepreneurs in which the individual entrepreneurs meet the founders and staff members of the incubator to discuss the problems and solutions for their ongoing businesses. Second, there are larger-scale business development sessions called “seed

development”, which is the main focus of my observation. These sessions typically consist of two-hour weekly meetings that last for about 15 to 20 weeks. The main purpose of this process is to find the core foundation of the business. The meetings involve discussions among the entrepreneurs (i.e., founders of the focal business), the staff at Urban Sustainability, and the participants from the community (e.g., other entrepreneurs in the incubator or outside professionals with relevant expertise). More detailed explanations of the process will be provided in the later sections.

Urban Sustainability also works as a networking space among the local like-minded entrepreneurs and other people from neighborhood communities. They hold two weekly meetings open to the public, which include Friday community lunch and Thursday sustainable business lunch conversations. Friday meetings are more for the newcomers to the incubator. The lunch meetings usually last about one and a half hour during which the founders introduce Urban Sustainability as well as their achievements for the week. Usually the tour of the building follows the lunch. Thursday lunch meetings are more focused on entrepreneurs. Participants include entrepreneurs in residence as well as those who are seriously entertaining the idea of starting a business related to the sustainability issues. Every week, one of the participants volunteers to pick a topic and “an open, non-convergent conversation” about the topic follows for one and a half hours. The topics range from practical management issues such as leadership, decision-making, and facilitation, to abstract and conceptual ones including “love language”, “perseverance”, and “community”.

Urban Sustainability exhibits many features that exhibit their commitment to social and environmental issues. First of all, before their start, they spent three years to renovate their current building, which used to be a Ford automobile show room in 1930s. They completely

overhauled the building to make it environmentally friendly (“net-zero environmental effect”). Also, in addition to the function as a business incubator, it runs sustainability lab every week that monitors and continuously improves the environmental effect of their operation, and the sustainable library that collects general information about sustainability and social justice issues.

Urban Sustainability provides a good context to capture the entrepreneurial effort to organize beyond profit maximization, because with its unique philosophy devoted to sustainability and triple bottom-line approach, it attracts like-minded entrepreneurs and immerse them within a strong cultural context. Moreover, although there are many other business incubators in Detroit, Urban Sustainability is the only one that is specifically devoted to the issues of environmental sustainability and social responsibility of businesses. Through ethnographic field research in Urban Sustainability, I expect to get access to many nascent entrepreneurs who are seriously considering starting their own businesses committed to social and environmental issues, as well as to the collective processes where these initial business ideas are transformed into serious entrepreneurial projects.

### ***Sample & Data Collection***

I will conduct participant observation in the business design sessions of multiple businesses for an extended period of time. Therefore, each of the design processes for individual startups will be the unit of observation. Also, to supplement the observational data, I will conduct follow-up interviews with the entrepreneurs as well as the participants in the sessions during the process (a draft of interview guide is in the Appendix). With entrepreneurs, I ask their perceptions of the development sessions with a specific focus on how this process shaped the evolution of their perspectives and their business ideas. With participants to the business design

sessions, I ask for their reflection of the process. I question what the memorable aspects of the process were, and how they think those peculiarities will affect the future development of the enterprise. These interview data will be primarily used for the purpose of triangulation with my observational data. Finally, in order to track their further development after the design sessions, I will conduct post-process regular interviews with the entrepreneurs and observe key events after the end of the design sessions.

Within Urban Sustainability, I will observe design sessions for businesses that vary on diverse dimensions including industry, issue area, and entrepreneurial profile. In addition, following the logic of theoretical sampling, I plan to conduct another set of observations at traditional business incubators which are focused on developing profit-centered start-ups (“polar-types” sampling, Eisenhardt & Graebner, 2007). Observing the processes at a similar stage but with a traditional focus on single economic bottom-line will help distilling the peculiarities of the Urban Sustainability process and enable me to see how those unique features are related to organizing beyond the taken-for-granted template. More information about the current state and future plan of data collection will be presented at the end of this section.

### *Analysis*

The data will be analyzed following a two-staged analytic process that was employed by similar previous studies (Davis & Eisenhardt, 2011). First, I will write up descriptive chronological cases for each of the design processes which will help me capture the temporal progression of the entrepreneurial idea. Second, these cases will be analyzed through within-case and cross-case techniques (Miles & Huberman, 1994), in which emergent theoretical frameworks will be weaved in the relevant literature. Following the constant comparison technique of

grounded theory method, this data analysis will go hand in hand with further data collection. The emergent theme from the previous data will direct the focus of future data collection, which will in turn affect the direction of ongoing theoretical development.

### ***Current State and Future Plan***

Since July 2012, I have been following the business design sessions of three businesses. Table 1 presents the details of design sessions, businesses, entrepreneurs, and the data collected for each process. In addition to the data collected during the design sessions, I have been conducting regular post-process interviews with the entrepreneur of the first business. For the second business, I am continuously conducting post-process observations and interviews, as they further develop their business. For the third business, their design session is still going on. I am currently discussing with the entrepreneur about the structure in which I can continue following their progress. In addition to this data collection in Urban Sustainability, I am contacting a business accelerator (profit-focused traditional business incubator) in downtown Detroit to observe comparable business development processes with a different purpose.

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## **PRELIMINARY FINDINGS**

### ***Overview***

The preliminary findings from the field research for the last ten months suggest that the business design sessions at Urban Sustainability provides a platform on which nascent entrepreneurs clarify, develop, and augment the foundation of their triple bottom-line business. I organize this section in the following manner: first, I describe the basic structure of the business design process; second, I describe the philosophy underlying the design process that were significantly shaped by the founder of Urban Sustainability (Ted); finally, I present unique characteristics of the design process itself. These findings presented here are by no means comprehensive or conclusive, but are something equivalent to working hypotheses, a rough description of observational data based on the preliminary thematic coding. There still are many other themes from the data that I could not find the best way to incorporate into the overall narrative. The purpose of this section is to provide a better sense of the data that are currently being collected and analyzed.<sup>1</sup>

### ***Business Design Sessions in Urban Sustainability***

The business development sessions in Urban Sustainability aim at finding the core foundation or the “seed” of the business. Participants of the process include the entrepreneurs of the business at focus, facilitators at Urban Sustainability (i.e., founder and staff members), and other members from the community (e.g., other entrepreneurs-in-residence or outside professionals with relevant expertise). They have regular two-hour meetings every week for 15-20 weeks during which they engage in a collective discussion to transform a germ of an entrepreneurial idea into the initial foundation of the business. The organizations that go through this process are usually small start-ups with no formal employees, and the founders can largely

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<sup>1</sup> I am currently in the process of writing up the chronological cases for each design session. I expect that I will be able to present the result from the preliminary between-/within-cases analysis at the Ivey PhD Academy, if selected.

be considered as “nascent entrepreneurs” (Aldrich & Ruef, 2006), those who are in the stage of seriously considering the idea of starting a business. Since the beginning in the early 2012, Urban Sustainability had eight of these sessions and currently the 9th business is going through the process. The overlap between the businesses is intentionally minimized, meaning that usually a new process begins as the existing one ends. Entrepreneurs usually spend a few months to a year in Urban Sustainability before starting this process. During this time, they have individual meetings with the facilitators at Urban Sustainability to assess the expected value of going through the process, and they create relationships with other entrepreneurs-in-residence who may be end up being participants to their design process. Once the session begins, the first step is four weeks of larger group sessions. In these sessions, the entire group meets (usually 10 to 15 people) and collectively discusses the ecosystem where this birthing enterprise will grow. For example, if the entrepreneur’s idea is about bettering relationship between the elders and the caregivers, the group spends four weeks on surveying important “players” or “parts” of the “ecosystem” in the eldercare domain (e.g., healthcare providers, family, religion, neighborhood, etc.), the “natural strength and weakness” of doing a business in the domain (e.g., elder population is increasing; society focuses more on youth than elder), and anticipated “risks” to the business and “mitigating actions” for these risks. The next 10 to 15 weeks are for small group sessions in which only the focal entrepreneurs and Urban Sustainability facilitators participate (3 to 6 people). In this process, the vast information gathered during the first four weeks is “filtered” through the entrepreneur’s “passion and competence”. This filtering process leads to extensive discussions about ‘what they want to be’ and ‘what they can be’ as a business. Weeks of these abstract discussions generate some tangible outcomes that constitute the foundation of the business, including the “Seed” (identity statement of who they are), “The way” (conceptual

description of how the business grows), stories (fictional narrative representations of the future business), and specific future plans (3-month, 6-month, and one-year plan). These small group sessions are followed by two weeks of “reunion” sessions at the end. In these sessions, entrepreneurs report back to the original large group the outcome of their small group sessions. Through this process, the design outcome of the business and their future plan becomes clarified, reflected on, and lastly, celebrated.

### ***Philosophy underlying the Urban Sustainability Design Process***

First, the business design process in Urban Sustainability is rooted in the idea that “business is not a machine but a natural organism”. At the beginning of the process, the founder of the Urban Sustainability (Ted), who is the creator of the process and usually facilitates the design sessions, emphasizes that “business organization is not like a machine but is more like a living organism”. Accordingly, the ultimate goal of the design process is “finding the seed for a generative business”. Finding the right seed is emphasized because “everything should grow naturally from the seed... you can’t expect beans from an acorn seed.” Analogies to natural and biological process can be easily found in the words they use during the process. The entire process begins with the discussion of the “ecosystem that the business is going to be planted”, and the activities in the sessions are often described as “cutting weeds and pruning”. Ted says the whole process was initially inspired by the permaculture, a guiding principle of an alternative system for sustainable agriculture.

Second, there is a strong emphasis on being rooted in the concrete context and especially in the local community. In discussions of the problems and solutions that the focal business tries to find, it was often emphasized that solutions lie within the concrete problem and the people



who are suffering from it, not given from outside. When entrepreneurs tried to find some general solutions for the problem at focus, Ted responded, “in my opinion, everything useful started from something concrete... it’s not like someone comes up with a grand project and finds something that’s concrete... I want to recommend you to continuously look for something like the first product that your mother made... don’t start from a big, general question.” This emphasis on the concrete context seems to lead to the emphasis on the connection to the local community, which is reflected in the fact that the design process involves people from the local neighborhood.

Third, the design process pays significant attention to the external systems and relationships. Based on the notion that “recognizing that everything is connected is the foundation of sustainability (Ted)”, the design process involves many devices that direct entrepreneurial attention to the bigger picture of relationships and the entire system. For example, the process starts with the survey of the ecosystem of the issue domain, in which the group comes up with a long list of the elements of the ecosystem and each element is assigned to an individual participant for further research. After a week or two, the map of ecosystem is filled with the current trend and important information of each element, as participants report back the result of their research. In addition, the relationships between the parts of the ecosystem are further studied in the small-group sessions, as entrepreneurs study and report not only the relationships between individual elements and their business but also the ripple effect of one relationship on other relationships (e.g., “how does our relationship with food justice movement affect our relationship with local food growers?”). This initial focus on the surrounding relationships and the bigger picture seems to naturally lead entrepreneurs to pay more attention to the effect that their business has on the broader environment, and contribute to the outcomes

of the process which almost always include some sort of system-level changes the business aims to create.

Finally, the critical perspective on the traditional businesses and traditional entrepreneurial development process is pervasive throughout the design sessions. Many times during the process, a clear contrast is drawn between the 3D (triple bottom-line) approach and the 1D (single economic bottom-line) approach. While 3D business is described as paying “intentional care for relationships... not just economic transactions, [but relationships] with diverse stakeholders”, 1D business is depicted as a business where “care for relationship is mostly focused on the relationship with investors and [such relationship] is more like transactional”. Also, in Ted’s words, traditional business incubating process is seen as “the path where [incubators] help you write up a fancy business plan and get huge loan up front and go bankrupt next year.” This critical attitude toward traditional business approach is often connected to the region’s history, as shown in the following quote: “go to Flint and see what’s there... that’s the sum total of the single bottom-line approach.” This historical awareness is also observable from Ted’s description of his incubator itself. As talking about their building (which used to be the Ford showroom in 1930s), he said, “isn’t it interesting that the place where everything has started is now used for transforming it?” Contrasting to the traditional approach is also salient in defining the entrepreneur-business relationship. Entrepreneurs are considered as not an “owner” of the business but a “steward” of the naturally growing business that deals with the problems in the society: “with our children, I’d never say I’m the owner of my children... when you say you own, you’re taking the life out of it, you’re taking it as a possession.” (Ted)

In sum, the design process in Urban Sustainability is intended to provide nascent entrepreneurs with an important step that may have been neglected in traditional business

development approaches: consciously figuring out the core identity of the business through deliberate reflection of the environment and the entrepreneurs themselves. In the design sessions, traditional businesses are often criticized for making up their vision and identity statement by retrospectively justifying the path they have mindlessly followed so far without much conscious thinking in advance. This explicit focus on the “core foundation before everything else” becomes salient at the end of the design session where entrepreneurs report the design outcome to the participants of the original group. The interactions in the “reunion” sessions most dramatically exhibit the discrepancy between what people expect from business incubating sessions and what Urban Sustainability process actually generates. When a participant asked what organizational structure the business would adopt, one of the entrepreneurs responded “to me, it is just a huge wide-open question... we will wait as long as possible until we create a legal entity... we will adopt a certain legal structure when we are required to.” Also, at the last session for another business, to the bombarding questions about how the business will make profits, the entrepreneurs finally answered: “we are very comfortable with our identity that we just figured out and I don’t want to limit its possibility by saying that ‘this is the plan to monetize what we have’... I am from the business world where finance dominates everything and what I am trying to do is getting rid of that part of myself... honest answer to your questions is that I don’t know at this point and I am comfortable with not knowing it.”

### ***Characteristics of the Urban Sustainability Design Process***

The pattern of the social interaction during the design process takes the form of serial group discussions. Generally, facilitators of Urban Sustainability (usually Ted and other staff members) provide a loose structure, which evolves over time and is also customized according to entrepreneurs. The first four weeks of collecting information about the ecosystem significantly

broaden the entrepreneurial attention. For example, in the most recent large group sessions, the entrepreneur started with a simple idea of pet supply resale store, but at the end, they were planning an additional session to discuss the history and ethics of pet and pet owner relationship, which has now become the primary focus of her business. The following small group sessions start with filtering the vast information through entrepreneurs' passion and competence. Based on the philosophy that business has to be deeply rooted in the life and history of entrepreneurs, Ted kept checking with entrepreneurs as they discuss specifics of the collected information, by saying "does this feel right to you?", "is that where your energy lies?", or "is this what makes you personally excited?" Later, one of the entrepreneurs recollected the process as, "Ted kept throwing words at us, and I tried to hear from inside myself how that word feels, how that resonates with me".

One salient feature of the process is that it relies very much on non-verbal devices, especially figures and artifacts. Figures take an important part of the process. In the small group sessions, the majority of the time is spent on drawing a figure describing how the business grows (Figure 1 presents sample figures), which they called "the way". Usually, Ted starts the figure with some basic conceptual shapes, such as a spiral, arcs or arrows, which serves as an initial basis of the figure. After that, Ted and entrepreneurs collectively elaborate the figure as they continue their discussion. Ted asks questions, the entrepreneurs pour out answers in response, and then Ted writes them down somewhere on the drawing. They repeat this until they complete a version of the figure describing the way their business operates and grows. Once the drawing is completed, they review the drawing and if that drawing does not feel right to them, they scrap it and start over again on a clean sheet of paper. They repeat this process until they find the one that resonates well with the entrepreneurs and is authentic to entrepreneurs' original story.

Through this process of developing figures, entrepreneurs seem to clarify the abstract notion of what they want to do with their business, and then transform this notion into a concrete representation as they collectively try to create a figure that feels right to them. The design process also involves artifacts that are often personally meaningful to entrepreneurs and their initial motivation. Throughout the design sessions for the business on the eldercare issue, which originated from the life story of the entrepreneurs' grandmother, they posted on the wall her picture and the original product developed for her. Again, the entrepreneur of another business on pet care issue kept the pictures of her old dog who provided an inspiration for her current pursuit.

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Another important feature of the process is their explicit and strong attention to the words. This becomes salient in their discussion of the identity statement (“the Seed”). The business on food entrepreneurship network spent more than a month to refine their statement word by word, carefully considering what meaning each word would convey to different audiences, and most importantly, continuously assessing how the sentences resonate with the entrepreneurs. For another example, the design process for sustainable pet care service held an additional large group session (after the first four weeks) just to have an open discussion about the words ‘pet’ and pet ‘owner’. In that meeting, people spent two hours discussing the origin of the word ‘pet’, historical transitions from wild animals to pets, and how the word ‘owner’ affects the way we think about the animal-human relationship. On their obsession with “finding the right words”,

Ted explained, “we work with living languages that’s changing all the time... part of our responsibility is to engage in living language and create a new language for sustainability... so much of the sustainability work is changing the way of thinking and engaging in living language”.

Finally, one important feature of the process is the abundance of emotion in the sessions, which is not something to expect from a business design conversation. More interestingly, the sessions for different businesses exhibited different types of dominant emotions. The sessions for a business on the relationship between elders and caregivers, there were many moments of grief, tears, and silence, especially when participants shared the stories of their own experiences about their elder family members. Such emotional tone has been consistent throughout the design sessions and culminated at the end of the last session when one of the entrepreneurs become teary while thanking all the participants for their inputs and encouragements. When he started to choke up, everyone in the room followed him and started to tear up. The long silence with some occasional weeping noise ensued. It was a culmination of the emotional tone that prevailed throughout the sessions. Everyone seemed to be immersed in deep thinking, as they always have been whenever they talked about their older family members or friends who were not with them anymore. The meeting was over but nobody stood up and said anything. People stayed in their seats for minutes until one person broke the silence, saying “no one wants to leave the moment”. However, it is not always teary. A very different kind of emotion prevailed in the sessions for the pet care business. Even though these two processes involved many common members, the sessions for the pet care business were almost always filled with lots of humor and laughter. This emotionally unrestricted atmosphere that allows jokes, cheers, laughter, and tears in the business

conversation may be another factor that differentiates Urban Sustainability's process from traditional business development processes.

## **POTENTIAL CONTRIBUTION**

The pursuit of this research on the birthing process of post-corporate organizational alternatives is expected to contribute to advancing the entrepreneurship research as well as the current development of institutional theory.

### ***Entrepreneurship Research***

First, as mentioned earlier, traditional entrepreneurship research largely portrayed entrepreneurs as “profit and efficiency maximizer”, while overlooking other values entrepreneurs may pursue through their business. However, classical thinkers have long pointed out this alternative entrepreneurial motivation that is not exclusively driven by economic calculations. For example, Schumpeter identified diverse entrepreneurial motivations outside the economic realm, proposing three general motivations of entrepreneurs: “the dream and the will to found a private kingdom”, “the will to conquer”, “and the joy of creating” (Schumpeter, 1934). According to Schumpeter, money per se is not the ultimate motivator of entrepreneurial activities. Max Weber also provided a more sociological perspective on entrepreneurs. In the context of increasing bureaucracy, he believed that entrepreneurs are the only actors who can “keep the bureaucracy in its place by taking their own risks and assuming the whole responsibility of their organizations (Swedberg, 2000: 27).” He also argued that entrepreneurship can be conceptualized as a social movement and the concept of entrepreneurship does not have to be

limited to the economic domain but can be extended to other spheres of our society including politics and morality (Weber, Lassman, & Speirs, 1994).

Despite these earlier insights, current entrepreneurship research is dominated by the economic view and focused on the success factors of profit-maximizing entrepreneurs whose aspiration is almost always predetermined to be profitable IPOs. In other words, these studies largely overlooked the Schumpeterian or Weberian sense of entrepreneurs whose business activities are devoted to other values than economic profits and who engage in a social movement against the “bureaucratic social structure” enforcing everyone to follow the same taken-for-granted route to profit-driven entrepreneurship. In line with the emerging literature of social entrepreneurship and hybrid organization (Dacin et al., 2011), this research aims at shifting the focus of entrepreneurship research to the entrepreneurs whose purpose is more broadly defined. By investigating how mission-driven entrepreneurs create a business committed to non-economic values, this research will bring back Schumpeterian or Weberian view of entrepreneurship and complement the existing literature by highlighting factors and processes that were not salient for profit-centered entrepreneurial development.

Second, the existing entrepreneurship literature often relied on retrospective accounts of entrepreneurs who have successfully survived their embryonic stages, consequently missing important factors that may have faded away from entrepreneurs' memory and introducing the bias of ‘sampling on the dependent variable’ (Aldrich & Ruef, 2006). To address this limitation, scholars have increasingly emphasized the importance of nascent entrepreneurs, those who initiates serious activities that are intended to culminate in a viable organization. It was argued that studying this early-stage entrepreneurship is important because the early experiences in the firm's life history often leave long-lasting impacts on organization's growth and survival



(Stinchcombe, 1965). In response to this call, the current research follows the early-stage process for multiple entrepreneurial projects in real time, comparing and contrasting different processes, which may or may not turn out to be a success in the future. By doing so, this research will extend the temporal focus of the entrepreneurship research to the moments closer to the entrepreneurial genesis, portraying more realistic and comprehensive picture of the entrepreneurial journey.

### *Institutional Theory*

Despite the process-centered, micro-sociological root of the theory, the development of new institutional theory over the last 30 years has evolved around the debate between deterministic nature of macro institutions and individual agency of institutional entrepreneurs. Facing the dual criticism of “cultural dope” vs. “hypermasculine institutional entrepreneurs”, a recent advancement in the theory is moving towards the institutional process, concerning “how legitimacy is bestowed”, not “who bestows legitimacy”. (Barley, 2008; Lawrence, Suddaby, & Leca, 2009) Based on the structuration theory (Giddens, 1984), this perspective sees the relationship between institutions and actors as recursive process through which macro structures and micro actions affect each other and co-evolve over time (Barley & Tolbert, 1997; Lawrence & Suddaby, 2006). Accordingly, an emerging group of theorists is focusing on the “institutional work”, which is defined as “the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions (Lawrence & Suddaby, 2006: 215).” This institutional work perspective focuses not on the outcomes, but on the process of creating, maintaining, and disrupting institutions and moves beyond the linear model of institutional change by embracing a non-linear, discontinuous process of institutional change or even a failed change. In a similar vein, Barley (2008) also proposes a return to the micro-sociological root of

the neo-institutionalism through a deeper engagement in the micro-processes of institutions. He argues that ethnographic research of institutional processes will help researchers discover the details of how actors produce the outcomes that constitute the historical archives, which had long served as a raw material for theorizing institutions.

This recent progress in the institutional theory gives much insight to the current research because the phenomenon at interest is essentially an ongoing process of institutional change. Becoming a successful corporation through a profitable IPO, and boosting stock prices through strong profit reports has been the institutionalized template for entrepreneurs throughout the last century. Essentially, what this research investigates is the process of how individual entrepreneurs break out from these taken-for-granted narratives and conceives an attempt of deviation. By closely engaging in this entrepreneurial process, this research is expected to observe how entrepreneurs make sense of the institutionalized template, how they engage in actions causing intended or unintended changes to the template, and how such action is also limited by the broader structure that constantly enforces the institutionalized template. This approach will contribute to the process perspective of institutional theory in two specific ways. First, complementing existing research that has mostly relied on archival, textual data, this research's real-time observation will be able to provide a thick description of the entire process whereby individuals engage in a struggle of successfully (or unsuccessfully) affecting (and being affected by) the institution.

Second, the ethnographic engagement in the process would also reveal more micro-level details of institutional processes, potentially extending the realm of institutional analysis to the extra-cognitive domain. Psychological research increasingly shows how individual cognition is affected by what happens in the extra-cognitive domain such as emotional and bodily feelings

(Barsalou, 2008). Although at the very foundation, neo-institutionalism is a theory of individual cognition, the theory's conceptual reach has stopped at the cognitive level. However, if those recent psychological findings are taken into account, one can conceive a possibility that institution is not just cognitively perceived but "felt" through bodily and emotional sensations. In other words, psychological realms beyond cognition, such as bodily and emotional feelings, may also serve as the channel through which institutions and human agency interact with each other. Although feelings are ephemeral and short-lived compared to cognition recorded in the texts and archival data, it can sometimes leave a long-lasting influence. Following the ongoing process of the recursive interaction between institution and actors in real time might provide an opportunity to capture such a short-lived but long-lasting influence of extra-cognitive mechanisms.

## CONCLUSION

Studying organizational forms is important because it is the manifestation of the dominant relations of production, which constitute major building blocks of the economy and society. It is also important to be aware that the shape of these building blocks changes over time. In its inception, corporations were seen as an experimental form for a type of business with too much risk for individual merchants to bear (Roy, 1997), and the invention of limited liability was once considered as morally questionable (Ribstein, 2010). However, as culture changes and technology advances, the corporate form was chosen as "the most efficient" organizational solution for emerging industries based on the second industrial revolution, and throughout the 20th century, the public corporation model has been praised as the greatest organizational innovation that brought about the dazzling economic prosperity of the century (Arrighi, 2010).

However, the change never stops. At the turn of the new century, corporate-centered economic system is showing symptoms that may indicate the signs of maladjustment. People are increasingly frustrated with polluted environment, abandoned communities, collapsed employment-based welfare system, and the wealth creation without job creation, and they are questioning whether maximizing shareholder value indeed maximizes payoffs to other stakeholders as neo-liberal economists has argued for decades. From the evolutionary perspective, the time seems ripe for an organizational mutation as people gradually realize that there might be some plausible alternatives. Observing and documenting these scenes of mutation on the ground of sweaty, dusty and teary front-line entrepreneurs may turn out to be a worthy endeavor leading up to the first page of a new chapter in ‘the natural history of organizations’ (Davis, 2010).

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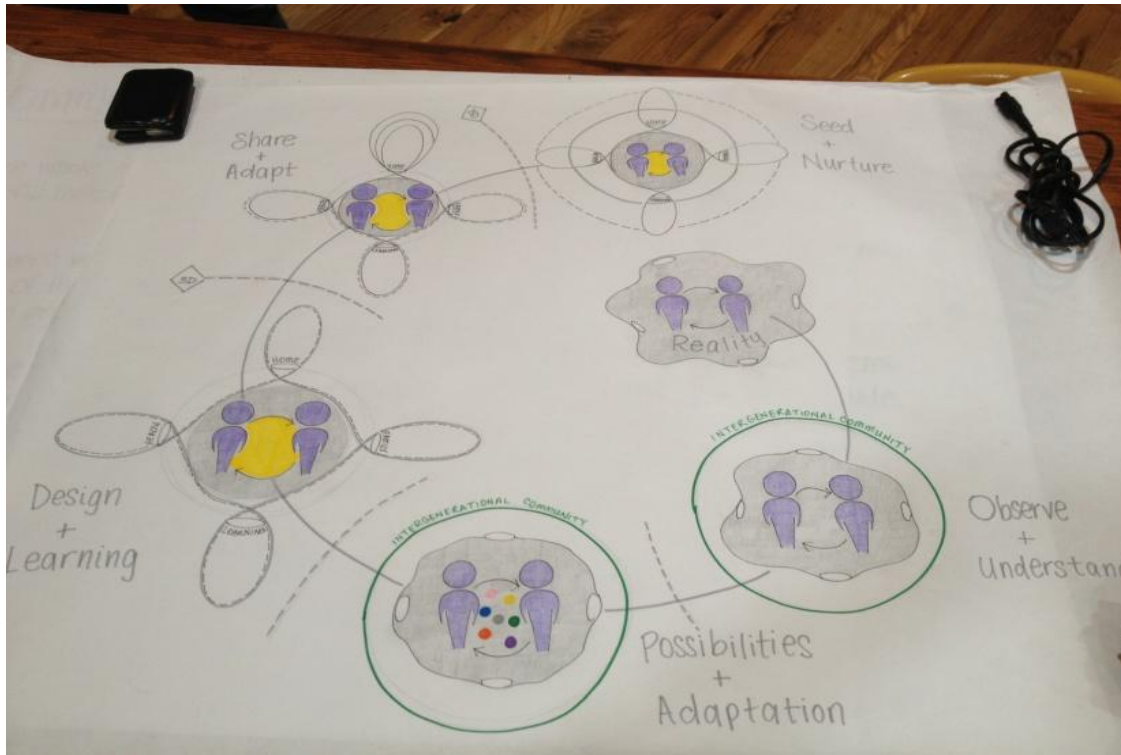
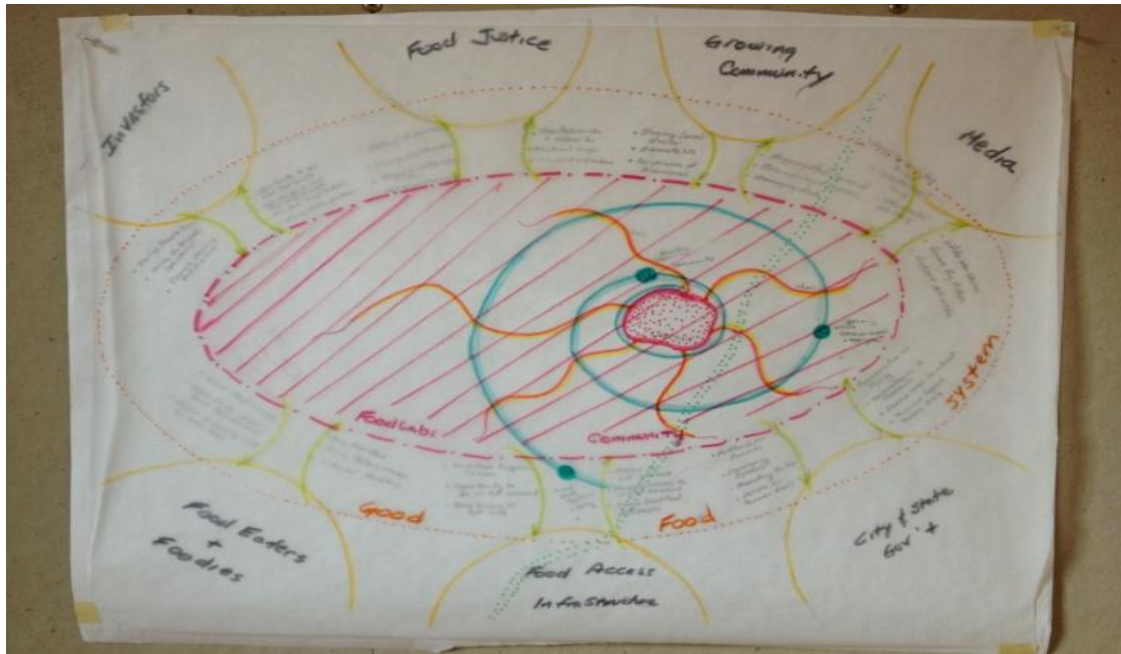
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**Table 1 Design sessions, businesses, entrepreneurs, and the data collected**

Name of business	Good Food Network	Med Pocket	Dog Pound	
Business Design Sessions	May 2012 to Oct 2012	Nov 2012 to Mar 2013	Mar 2013 to Sep 2013	
Description	Organizing supporting network of sustainable food businesses in Detroit	Finding solutions to better the relationships between elders and caregivers	Designing sustainable neighborhood pet care service	
Industry	Food/consulting service	Product design	Pet care service	
Issue area	“Food justice, good food movement, supporting underrepresented entrepreneurs”	“Healthy and whole transition into the later stages of life”	“Appropriately compassionate human and animal companion relationship”	
Number of entrepreneurs	2	2	1	
Entrepreneurial background	marketing in a major tech corporation, nonprofit in Cambodia, food entrepreneur	consulting in a major consulting firm, master in religious studies	veterinarian technician	
Entrepreneur's industry experience	1-2 years	none	20 years	
In-process observations (# of sessions)	8	18	20	2+ hours per session
post-process observations (# of hours)	2	7	n/a	2+ hours per events
In-process interviews w/ entrepreneurs (# of interviews)	0	4	4	1 to 2 hours per interview
In-process interviews w/ participants (# of interviews)	0	4	3	1 to 2 hours per interview
Post-process interviews w/ entrepreneurs (# of interviews)	12	2	n/a	1 to 2 hours per interview
Additional data	photos, online documentation of business design process, etc.			

Figure 1 Examples of figures produced during the design process



## **Appendix Draft of interview protocol**

### *Interview with entrepreneurs on their business design process*

- ❖ Before process
  - Please describe your business. What have you done so far to develop the business?
  - Why did you first start this process? What aspects about Urban Sustainability's incubating process attracted you to start your own sessions? Do you have any experience with other business incubators?
  - What are your expectations about the process? What do you think you will achieve at the end of the process?
- ❖ During process (multiple times)
  - How do you feel about the ongoing design process?
  - What do you think we have achieved so far? Do you think we are going on the right direction?
  - Can you describe how we achieved those outcomes you just mentioned?
  - Did the process have any influence on your business idea, or in yourself?
- ❖ After process
  - What do you think we substantially achieved through the incubating sessions?
  - Please describe the process we achieved those outcomes
  - Whose creation are these? Is this yours or Ted's?
  - Do you think your initial expectations were met?
  - Do you find it different from other incubating processes, if you had experienced any? If you found differences, how do you think those differences will affect your business?
  - What is the next step for you?
  - How do you think the incubating session can be improved?

### *Interview with the participants in business design sessions*

- ❖ Their own work
  - Please introduce yourself
  - Please describe your work. What is your background and what do you do now?

- ❖ Their experience and reflection of the business design sessions
  - How did you first get involved with [name of business]? Who invited you? How did you first meet them?
  - Let's go back to this moment you just described. What were the first thoughts you had in mind, if you can remember? What did you expect to see in the incubating sessions?
  - Now let's shift our focus on what you've been seeing for the past weeks. What were some unique features of design sessions? What are the things that you remember the most?
  - How do you evaluate these unique features? Do you think they are good or bad for the development of [name of business]? What effect would they have on [name of business]'s future growth?
  - What do you think your role was in the design sessions? How do you make sense of what you've been doing in the sessions?
  - Let me ask you a more general question. In the design sessions, they talk a lot about the social enterprise or triple bottom line business. Do you think it is very different from the traditional corporation model? If so, how is it different? And, why do you think all these shifts are occurring right now and right here in Detroit?
  - What do you think you learned from participating in the process?
  - Was there anything you think is needed to improve the process?