MAKING SENSE OF THE UNEXPECTED: RESPONSES TO SURPRISE EVENTS IN TECHNOLOGY VENTURES (INTERACTIVE PAPER)

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Principal Topic

Much of what organizations do is intended to avoid or contain the impact of surprise events. This insight is commonplace across a broad range of organizational theorizing. Most theory about avoiding or dealing with surprise events presumes an organization that is relatively established and endowed with adequate resources. Requisite controls and well-functioning routines are uncharacteristic of the typically young and resource-constrained start-ups that are the focus of much entrepreneurship research and theory. Mainstream organizational theories therefore do little to inform our understanding of how founders and their firms deal with surprises and mostly lead to predictions of entrepreneurial helplessness in the face of surprise events. Although prior work in entrepreneurship provides scattered suggestions, we lack a cohesive understanding of how entrepreneurial firms respond to surprise events.

Method

We studied responses to surprises in 31 small, young knowledge intensive firms surrounding a research university. Out of 141 surprise events identified, we focused our inductive theory building efforts on two clusters of surprise events: those focused on technology, for example software failures, and those involving people issues, for example theft. This allowed us to follow standard approaches for inductive theory building (Glaser & Strauss, 1967) by engaging in intensive cross-case comparison of 27 events across 9 firms.

Results and Implications

We develop a grounded theory of entrepreneurial response to surprises that draws together and enriches scattered insights from prior studies while describing key elements of the surprise response process and outcomes. Our primary discovery is the central role played by what we termed “narrative coherence” in structuring responses. We present a process model that highlights founders’ agentic, skill-based effectiveness in countering organizational challenges despite significant resource constraints. We contribute to emerging theories of entrepreneurial resourcefulness and begin to tie together scattered evidence toward a broader more integrative and also practically useful theory of dealing with surprise. This provides the foundation for a very different theory of dealing with surprises than those previously derived from the study of large established organizations.

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