LIKE A MIRROR? THE INFLUENCE OF FOUNDER IDENTITIES ON LOGICS IN NEW VENTURES

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Recommended Citation
Available at: https://digitalknowledge.babson.edu/fer/vol37/iss3/5
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ABSTRACT

Founder identity has been found a popular and useful concept to understand entrepreneurial behaviour. Still, we know little about the interplay and joint influence of different types of founder identities. By analyzing role, social, and personal identities, this study investigates which combinations of those lead to balanced commercial and social welfare logics or the dominance of one or the other in new ventures. To do so, Qualitative Comparative Analysis is employed for 29 cases, integrating qualitative and quantitative data. Results provide first empirical evidence on the nexus of founder identity and institutional logics, and contribute to our understanding of identity theory in general and founder identity in particular.

INTRODUCTION

Identities are at the core of our self, guiding both our motivations and subsequent behaviours (Stryker & Burke, 2000). Since entrepreneurship is driven by individuals each with a unique identity, this offers a useful lens to studying the phenomenon (Wry & York, 2017). Accordingly, numerous researchers have started to elaborate on founder identity (Fauchart & Gruber, 2011; York et al., 2016). So far, however, most studies have looked at one of the two identity theories of role identity (e.g., Murnieks et al., 2012) and social identity (e.g., Fauchart & Gruber, 2011) in isolation, whereas only few have integrated the two (Powell & Baker, 2014; Wry & York, 2017). This integration has long been called for and is essential for advancing our understanding of the equifinal relationship of founder identities in the creation of new ventures.

Despite existing research, there is still a need for deeper comprehension of the interplay of different types of founder identities and the connection to new venture creation for further theory development. Our research responds to calls on future research on identities in the context of social entrepreneurship (Dacin et al, 2011; Miller et al., 2012), and the interrelation of identities and institutional logics (Lok, 2010) by advancing our understanding of how combinations of role, social, and personal founder identities shape the application of commercial and social welfare logics in new ventures. The following research questions are examined: (1) Which combinations of founder identities lead to balanced commercial and social welfare logics in new ventures (2) Which combinations of founder identities lead to the dominance of (a) social welfare logic or (b) commercial logic in new ventures? To answer these questions, fuzzy-set Qualitative Comparative Analysis (fsQCA) is employed, using an extensive dataset of qualitative data (34 interviews, >800 pages secondary data) and quantitative survey data for 29 cases.

Our results offer numerous insights for advancing founder identity theory (FIT). First, we show that there is a certain degree of mirroring between founder identities and venture logics, which is most strongly represented among founders of ventures with a dominant social welfare logic. Second, however, we also find exceptions to this rule, challenging the previous notion of a direct mirror between identities and entrepreneurial behavior. Third, besides offering insights into
the relationship between founder identities and venture logics, our findings reveal insights into the interplay and different parts that the types of founder identities play in this relationship.

THEORETICAL BACKGROUND

Identity Theory and Social Identity Theory

There are two prevailing identity theories that link the individual to the social world through self-definitions: identity theory (IDT) (Burke & Tully, 1977) and social identity theory (SIDT) (Tajfel & Turner, 1979). Identity theory has its roots in symbolic interactionism (Mead, 1934; Stryker, 1980), in which the self is declared to be made up of multiple components, called role identities, i.e. roles linked to certain positions in society that individuals take on (e.g. parent, lawyer) (Burke, 1980). Social identity theory describes identity as the process of a self-categorization of individuals with certain groups, where each person can hold a repertoire of category memberships of in-groups, i.e. people similar to the self, as well as out-groups, i.e. people different from the self (Zhong et al., 2008). An overarching identity concept called personal identity, which can be described as idiosyncratic traits, and personality characteristics of a person (Turner et al., 1987).

The relationship of role, social, and personal identities has been subject to critical discussion (Hogg, Terry, & White, 1995; Stets & Burke, 2000). Generally, it has been argued that individuals simultaneously occupy roles and belong to groups, and both are influential on behaviour (Stets & Burke, 2000). More specifically, regarding the interplay of conflicting identities, Stets (1995) finds that when meanings of role and personal identities conflict with each other, a person may disregard their role to maintain their personal identity. Further, it has been argued that, when salient, role identities dominate over personal identities in terms of their impact on behavior (Stets & Burke, 2000; Wry & York, 2017). However, since founders of new ventures have the possibility to integrate and act upon numerous salient identities by creating hybrid ventures that combine and satisfy multiple demands, those assumptions may not hold when working in the context of entrepreneurship.

Founder Identity and Institutional Logics

Founder identity has been investigated using both IDT and SIDT, however, most commonly in separation. A prominent topic in founder identity research is how identities influence entrepreneurial behavior (Gruber & MacMillan, 2017). For example, Fauchart & Gruber (2011) reveal that founder identity influences core strategic decisions in new ventures. Likewise, York and colleagues (2016) illuminate the influence of commercial dominant, ecological dominant, and blended founder identities on new venture formation, more specifically, venture goal prioritization and stakeholder approaches. So far, however, merely few studies have looked at the influence of different types of founder identities on new ventures. For instance, Powell & Baker (2014) draw on both IDT and SIDT to explain founders’ responses to adversity. Still, further insights into the interplay between different types of identities and their joint influence on entrepreneurial behavior are of upmost importance to advance FIT. Offering a starting point to bridge founder identity and institutional logics, Wry & York (2017) recently brought forth conceptual insights for the relationship between founder role and personal identities and logics in new ventures. In their paper, the authors advance the assertions that depending on the identity configuration a founder possesses, he/she incorporates different logics during opportunity recognition and development.

While the abovementioned studies acknowledge the existence of hybrid founder identities, they put forth the notion of a rather direct mirroring effect between identities and entrepreneurial
behavior, i.e. hybrid founder identity leads to the creation of a hybrid venture. However, since founders are faced with uncertainty, resource scarcity, and various stakeholder demands, founders may sometimes have to forego their own preferences and identities for the sake of venture survival. Hence, we seek to further explore the relationship between founder identity and entrepreneurial behavior by looking at the relationship between role, social, and personal identities and the logics applied in new ventures.

**METHOD**

**Sampling and Data Collection**

The method of choice for this study is fuzzy-set Qualitative Comparative Analysis (fsQCA). Theoretical sampling was used to identify cases that manifest the relevant theoretical construct of interest (Eisenhardt, 1989). Consequently, newly founded ventures, less than 8 years old (cf. McDougall, Covon, Robinson, & Herron, 1994), that integrate commercial and social welfare logics were chosen (hybrid organizations). Additionally, cases where the outcome of balanced logics was not present were also included, i.e. ventures with either a dominant commercial or social welfare logic. In total, we consider 29 ventures.

The data used for this study are of both, qualitative and quantitative nature. We conducted semi-structured interviews with the founders (34 interviews, 20-85 min.), and gathered secondary data, such as founder CVs, company websites, and reports (>800 pages). Additionally, role, social and personal identities were collected in a survey, using the protocol by Stryker & Serpe (1994), the 7-item Likert scale measuring founder social identities (Sieger et al., 2016), and a selected list of values from the Schwartz value survey (Schwartz, 1992).

**Measures, Calibration, and Configuration Analysis**

In this study, we analyze six conditions, encompassing founders’ role, social, and personal identities, each once associated with commercial and social welfare logic respectively. The outcomes under investigation are (1) balanced commercial and social welfare logics, (2a) dominant social welfare logic, and (2b) dominant commercial logic.

Calibration of the outcomes into four fuzzy-set anchor points is based on qualitative data, using the following criteria: venture goals (e.g., Battilana & Dorado, 2010), stakeholder cooperation (e.g., York et al., 2016), governance mechanisms (e.g., Pache & Santos, 2013), and sources of legitimacy (e.g. Almandoz, 2012). Role identities were calibrated using the protocol by Stryker & Serpe (1994), interview data, as well as founder CVs. Social and personal identities followed a quantitative calibration using the survey data, using the direct method of calibration (Ragin, 2008).

After successful calibration of conditions and outcomes, a truth table is constructed and logical minimization occurs to generate the solution term (Schneider & Wagemann, 2012). In this study we chose consistency thresholds of 0.88 (outcome (1) Balanced commercial and social welfare logics), 0.81 (outcome (2a) Dominant social welfare logic), and 0.89 (outcome (2b) Dominant commercial logic).

1 To enhance robustness of our results, our sample is to be expanded in future analyses. Currently, 29 ventures are included for the analysis of the outcome (1) Balanced commercial and social welfare logics. The sample was reduced to 22 ventures for the analyses of the outcomes (2a) Dominant social welfare logic and (2b) Dominant commercial logic. This was done to select the most appropriate sample for the analysis of non-balanced logics in order to avoid inadequately low consistency thresholds.
RESULTS

Table 1 depicts the summary of our findings, i.e. the empirically relevant combinations of conditions for the outcomes under investigation.

Table 1: Summary of Findings

<table>
<thead>
<tr>
<th>Configurations for (1) Balanced Commercial and Social Welfare Logics (n=29)</th>
<th>(2a) Dominant Social Welfare Logic (n=22)</th>
<th>(2b) Dominant Commercial Logic (n=22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role Identity associated with...commercial logic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Identity associated with...commercial logic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Identity associated with...social welfare logic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consistency</td>
<td>0.848</td>
<td>0.837</td>
</tr>
<tr>
<td>Raw Coverage</td>
<td>0.432</td>
<td>0.256</td>
</tr>
<tr>
<td>Unique Coverage</td>
<td>0.021</td>
<td>0.074</td>
</tr>
<tr>
<td>Overall Solution Consistency</td>
<td>0.894</td>
<td>0.918</td>
</tr>
<tr>
<td>Overall Solution Coverage</td>
<td>0.513</td>
<td>0.319</td>
</tr>
</tbody>
</table>

Black circles indicate the presence of the condition, and circles with “X” indicate their absence. Large circles indicate core conditions; small circles indicate peripheral conditions. Blank spaces (-) indicate irrelevant condition (Fiss, 2011; Ragin, 2008)

Outcome: Balanced Commercial and Social Welfare Logics

While the first solution consists of the presence of role, social, and personal identities associated with commercial logics, and the absence of a personal identity associated with social welfare logic, all other solutions incorporate some sort of hybrid identity structure: solution 2 a hybrid social identity, solution 4 a hybrid role identity, and solution 5 a hybrid personal identity. An example of a founder who possesses a hybrid identity structure reported being “founder of a business” as a salient commercial role and acted as a consultant and manager before founding. In addition, he revealed a social welfare-oriented part of his identity, as he outlined in the following: “I believe you can say sustainability is an interest of mine, even humanitarian issues, such as the refugee crisis.” As a result, his venture very much balances commercial and social welfare logics: “We will do something that is so great, that the earth gains on the fact that people choose us instead of someone else. If we do this good enough, it is better for the earth that we create more. So this becomes kind of an entrepreneurial perspective on sustainability.”

Overall, a mirroring effect of hybrid identities in the of logics in new ventures can be observed. However, two further important insights arise. First, results indicate that most solutions (except solution 3) do not portray a “perfect” hybrid identity structure; rather role, social, and personal identities are combined in different ways, such that one logic remains dominant in the founder’s identity. Second, there is an exeption to the rule as indicated by solution 1, which depicts a single-minded entrepreneur, who only possess identities associated with one logic, but nonetheless created a hybrid venture.
THE ENTREPRENEUR AND CHARACTERISTICS

Outcome: Dominant Social Welfare Logic

Here, only one solution was found, which depicts a single-minded identity structure comprising role, social, and personal identity associated with social welfare logic. Hence, a rather strong manifestation of several identity types associated with social welfare logic leads to this logic to prevail in the new venture. An example of a founder describes her roles in life as “visionary who wants to make the world a better place” and a “citizen of the world fighting for equality”. Subsequently, she sees her venture as a “weapon to fight for a more peaceful and fairer world”. The venture logics are very much in line with this. For instance, she only cooperates with stakeholders that share her social vision and she redistributes any profits purely within the venture and uses them to organize and support social project. Moreover, she highlights: “I wanted to found a venture that was independent of any pressures to grow. This was an important issue for me, which led me to say that I never wanted to encumber with high debts.”

Interestingly, the absence of role, social, and personal identities associated with commercial logic also forms part of this solution. For example, a founder of a local, food-producing social venture states that she does “not want anything to do anymore” with her former job as a financial consultant. She also outlines how she feels part of certain groups, but at the same time clearly differentiates herself from others: “I want to differentiate myself clearly from any retailer buying groups. I never want to end up in that corner.”

Outcome: Dominant Commercial Logic

For this outcome, two solutions were revealed. Solution 1 incorporates a role identity associated with commercial logic and the absence of all identity types associated with social welfare logic. One founder particularly portrays this configuration, as he has taken on rather commercially-driven roles in the past as IT consultant and co-founder of online start-ups: “The first venture was B2B, whereas the other one was much more B2C, so it involved a lot of brand building. We also had many different investors and business angels.” Consequently, his current venture is very much revenue- and growth-driven: “Those cards are highly political. You have to buy the terminals, and you have to do a lot of education in advance. But then, you also get 10- to 20-times higher revenues.”

Solution 2, in turn, offers rather counterintuitive insights, as it shows a hybrid social identity structure in addition to a commercial role identity. So, we find that also a somewhat balanced entrepreneur, who possesses identities associated with both logics, may create a venture that is dominated by commercial logics. For example, the founder of an energy venture incorporates both commercial and social-welfare aspects in his identity, while his venture predominantly implements a commercial logic: “Our goal is to earn real money in real markets. And that is the only piece of ideology that I stand for.” This indicates that identity is not perfectly mirrored in venture logics and possibly not the only imprinting factor, especially in conventional ventures with a dominant commercial logic.

Role, Social, and Personal Identities

Besides insights into the relationship between identities and logics, our study allows for first insights into the parts that different identity types play in this. Role identity, for example, turned out to play an important role in the formation of logics in new ventures across the solutions terms. Since role identities are considered to be associated with certain skills and competencies (Beyer & Hannah, 2002), this seems rather plausible. Many founders in fact support this usefulness of previous roles and associated skills: “If you ask a clerk to solve a problem, it is probably something
with pipes, if you ask the carpenter, he will do something with wood. I took things form the construction kit that I had available.”

Social identity, was much more associated with directing entrepreneurial behaviour in a certain direction and persisting in spite of unfavourable circumstances. For instance, the founder of a hybrid energy venture outlines how her desire to become a more social person triggered the founding process: “At some point, my other soul – my second one – that wanted to change the world said ‘excuse me, have you forgotten about me?’”

While personal identity played an overall more peripheral role in the identity configurations, values can and are being enacted in new ventures, in a hybrid context that is. This is reflected in solutions 5 of the outcome (1) Balanced commercial and social welfare logics, where the founder’s hybrid identity structure is solely marked in his personal identities. Further, in the context of social ventures (outcome (2a) Dominant social welfare logic), pro-social and non-commercial values turned out to be core conditions.

**DISCUSSION**

In this paper we seek to provide empirical insights into how founder identities influence the logics applied in new ventures. We tackled this task by bridging IDT, SIDT, and institutional logics through the use of QCA to open up new ground for theory development. Findings unravel that identity seems to play a very prominent role for explaining the formation of social ventures in particular. Further, our results reveal an equifinal nature of the relationship between identities and hybrid or commercial ventures, indicating that founders can freely couple and enact different identities. Moreover, we show that both, commercially- and social welfare-oriented identities, can be salient in one identity type, meaning that hybrid identity structures can co-exist instead of founders having to disregard identities with differing meaning structures (Stets, 1995).

However, despite observable coincidences of identities and logics, they are not perfect mirrors of one another. Rather, additional imprinting factors on the logics of new ventures seem to limit the freedom entrepreneurs to build the venture they envision based on their identity. Overall, this study reveals that while founder identity is an interesting source for explaining entrepreneurial behaviour, it is a highly complex and faceted concept, such that the boundary conditions of FIT have yet to be explored. To investigate this further, future research should examine whether there are moderating influences that enable the enactment of identities in new ventures despite outside institutional demands. In addition, it would be interesting to find out about what other factors are driving venture logics, and for what reasons founders are willing to cope with concomitant cognitive dissonances.

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**ACKNOWLEDGEMENTS**

This research is part of the large-scale EU project “Sustainable Lifestyles 2.0: End User Integration, Innovation and Entrepreneurship (EU-InnovatE)”. It has received funding from the European Union’s Seventh Framework Programme for research, technological development, and demonstration under grant agreement number 61319.