Category membership, identity control, and the reevaluation of prosocial opportunities

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ABSTRACT

We extend current knowledge on prosocial organizing by explaining how membership in organizational categories lead entrepreneurs to reevaluate their firm's activities and opportunities. Through a qualitative study of 46 firms that pursued B Corp certification, we developed an identity control model of prosocial opportunity. Our findings suggest that joining a prosocial category catalyzes identity-driven reflexivity, which can alter the firm's engagement in prosocial activity. This identity-driven process occurs in tandem with evaluations of opportunity viability and attractiveness, the potential for intra-organizational conflict, and the relative power and position that category legitimacy affords the firm. Our findings contribute to literature streams on prosocial organizing, identity, and categories.

1. Introduction

The role of entrepreneurship in addressing pressing social and environmental challenges has grown into an intriguing and important research area (Dacin et al., 2010; Grimes et al., 2013; Mair et al., 2012; McMullen and Warnick, 2016; Miller et al., 2012). Broadly categorized as social or “prosocial” entrepreneurship (Dees, 1998; Shepherd, 2015), organizations in this domain represent a melding of social and economic value creation (Battilana and Lee, 2014; Zahra et al., 2009), and may offer a new approach to solving chronic societal problems in the face of market failure (Dean and McMullen, 2002; Pacheco et al., 2010), institutional voids (Mair and Marti, 2009; McMullen, 2011), extreme poverty (Bruton et al., 2013; Kistruck et al., 2012; Tobias et al., 2013), and environmental degradation (Dean and McMullen, 2007; York and Venkataraman, 2010).

Entrepreneurship researchers have begun to acknowledge the tension that entrepreneurs sometimes face as they seek to express their prosocial values and identities (O’Neil and Ucbasaran, 2016; Pacheco and Santos, 2010, 2013; Wry and York, 2017). People’s feelings of competence and self-worth depend on successful, authentic expression and verification of important identities (Burke, 1991, 1996; Cast and Burke, 2002). While these identities can be integrated with new venture activities to align the entrepreneur’s intrinsic motivation with external incentives (McMullen and Warnick, 2015), tensions are often present for entrepreneurs as they evaluate the opportunities they aim to pursue. For prosocial entrepreneurs, these tensions may be even more salient.

One way that entrepreneurs may attempt to reduce the tension and external pressure to compromise their values is by seeking refuge in an organizational category that aligns with their values. Prosocial categories offer a ready-made context for those seeking to verify the authenticity and legitimacy of their “social entrepreneur” identity. Category membership is particularly important for

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prosocial entrepreneurs to gain legitimacy in the eyes of important stakeholders who see the joint pursuit of social and economic goals as incompatible (McMullen and Warnick, 2016; Pache and Santos, 2010, 2013). Joining prosocial categories can also help firms “stand out” in their industry or region (Gehman and Grimes, 2016). Many factors related to category membership can affect identity outcomes for the entrepreneurs who join them including category structure (Vergne and Wry, 2014), hierarchy (Gehman and Grimes, 2016; Porac et al., 1989), position and power within a category (Durand et al., 2007), and whether the entrepreneur's organization spans multiple categories at the same time (Hannan, 2010). Any of these can alter, amplify or dampen the social evaluations of category audiences (Hsu, 2006; Hsu et al., 2009; Vergne, 2012), making identity validation for the founder more difficult. Prosocial categorization may present additional complexities beyond those inherent in other types of categories. Unlike product or industry categories, prosocial categories are based on abstract concepts of shared values (Gehman and Grimes, 2016) instead of more concrete characteristics related to organizational capabilities, product offerings, and audience preferences (Hannan, 2010). The identity-relevant meanings of these abstract values (i.e. exactly what it means to put them into practice) can vary greatly in a category that may include everyone from ice cream makers to credit card processors. Even when an entrepreneur shares the prosocial values the category represents, it does not automatically mean that joining the category will trigger positive reactions or welcome change in identity, especially if doing so calls the authenticity of those values into question. While studies in this stream have highlighted both the legitimizing aspects of categorization for nascent ventures and the important role that prosocial categories play, we know relatively little of the internal or intra-organizational impacts of joining a nascent category (Carlos and Lewis, 2017; Gehman and Grimes, 2016). For example, there has been minimal exploration of how membership affects entrepreneurs’ pursuit of a social mission. This is a critical question for prosocial organizing, as entrepreneurs attempt to reconcile economic value creation with their prosocial values, identities, and category membership. Accordingly, our study examines the following research question: How and why does membership in a prosocial category lead entrepreneurs to reevaluate their firms’ prosocial activities and opportunities?

To address this question, we engaged in an inductive field study of 46 firms who either joined or seriously considered joining an emerging prosocial category: “B Corp,” a voluntary certification for socially and environmentally responsible businesses. Our field research revealed that joining a prosocial category catalyzes identity-driven reflexivity, consistent with the predictions of Identity Control Theory (ICT) (Burke, 1991, 1996, 2007), potentially altering the firm’s engagement in prosocial activity. This identity-driven process occurs in tandem with evaluations of opportunity viability and attractiveness, the potential for intra-organizational conflict, and the relative power and position that category membership affords the firm. From these insights, we develop an identity control model of prosocial opportunity. Our model illustrates how prosocial organizing may evolve through identity-focused reflection that is triggered by category membership.

2. Identity control, conflict in prosocial organizing, and the role of organizational categories

Identity Control Theory (ICT) (Burke, 1991, 1996, 2007) argues that actors are primarily motivated by a need to confirm identities that are important to their self-concept (Cast and Burke, 2002). Successful verification of important identities leads to greater self-esteem and feelings of authenticity, while failure to verify can lead to guilt, anger, and stress (Stets and Burke, 2005). In this way, ICT places the perpetual process of identity verification as the central basis of complex human endeavors (Burke and Stets, 2009).

Identity verification occurs through a cybernetic perceptual control process comprised of four parts: the identity standard, the inputs, the comparator, and the outputs (Burke, 1991; Burke and Stets, 2009; Stets and Burke, 2005). An identity standard is a set of meanings specific to a role, group membership, or personal characteristic that defines a distinctive identity (Burke and Cast, 1997; Burke and Stets, 2009). Although the individual must adopt an identity standard, the meaning of the standard is rooted in collective understandings, which are embedded in social structure (Stryker, 1980). For example, each individual has his or her own understanding of what it means to be an entrepreneur, but this is still largely based in some common understanding of what an entrepreneur is (Murnieks and Mosakowski, 2007; Murnieks et al., 2017). In the case of a common “social entrepreneur” or “prosocial entrepreneur” identity standard, consensus has yet to emerge (Dacin et al., 2010). However, voluntary standards like B Corp certification, Fair Trade, and USDA Organic reflect a desire to establish collective, firm-level, prosocial identity standards shared across industries or society.

Identity standards help actors attend to and interpret the feedback they receive from social interactions that occur in the context of the identity in question. These social interactions are the inputs in ICT; the identity-relevant meanings the individual perceives in a given situation (Burke, 1991, 1996; Burke and Stets, 2009; Stets and Burke, 2005). The comparator is simply the function of comparing the inputs (perceptions about one’s identity in a given situation) to the standard (the perceptions one expects for that identity). If the perceptions do not match the standard, the individual's identity is not verified and he/she will be motivated to take some action (outputs) in an effort to reduce the discrepancy.

Attitudes toward identity change and the corresponding changes to identity-relevant behaviors are highly relevant to understanding prosocial entrepreneurs since the opportunities they identify and pursue are presumed to involve hybrid and potentially conflicting logics (Battilana and Lee, 2014). Entrepreneurship scholars have recently argued the pursuit of prosocial entrepreneurship is motivated by compassion (Miller et al., 2012) and a desire to enact values and identities (Conger, 2012; Hemingway, 2005; Wry and York, 2017). However, such motivations may also create tensions for entrepreneurs. For example, O’Neill and Ucbasaran (2016) show that, even as their ventures advance toward financial success, environmental entrepreneurs may feel they have “sold out” when stakeholder demands force them to deprioritize “what matters to me.” This resonates with the core tenets of ICT and compliments a growing body of research focused on entrepreneurship as a self-expressive, identity-based pursuit (e.g. Cardon et al., 2009; Fauchart and Gruber, 2011; Hoang and Gimeno, 2010; Mathias and Williams, 2014; Murnieks et al., 2014; Powell and Baker, 2014, 2017;
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