Human Ventures: An Ethnographic Examination of US Growth Entrepreneurship

Marlo Rencher, Cleary University (mrencher@cleary.edu)

This paper examines what we have learned in the past five years about the sociocultural aspects of the creation of American growth companies. Of particular interest is the firm's first five years, during which 50% of nascent companies fail (US SBA). There is ample opportunity for ethnographers to add valuable insight about the human factors that are involved in creating companies. Kinship, representation, faith and organizational culture as areas of inquiry have as much potential to inform us about what makes a startup succeed or fail as its business model or customer acquisition strategy. This paper explores past ethnographic studies of entrepreneurs and suggest future paths.

INTRODUCTION

Facebook. Twitter. Uber. Amazon. Apple. Google. These companies are exemplars of growth-oriented, twenty-first century entrepreneurship in the United States. Growth entrepreneurship has captured our collective American imagination. We use the names of these companies as a shorthand for innovation, describing a new startup as "the Uber of X" or "like Amazon for Y". These ventures have similar origin stories--each multibillion dollar company springing forth from the mind of a young, male founder--a hero with charisma, vision, privilege, and technological prowess. There are countless news stories about these companies detailing their rise, their stumbles and their reinventions.

These relatively young growth engines of our economy are seen as the path for jobs and prosperity. US cities like Detroit, Cleveland and Pittsburgh need replacements for flagging, twentieth century job generators. They have been trying to create the environment to grow these kinds of companies for years. These once-thriving cities were home to entrepreneurs whose companies birthed new industries and generated millions of high-paying jobs. When those jobs disappeared, so did the prosperity their citizens enjoyed. Similar shifts in major industries across the country have had a devastating impact on our nation reaching across its economic, political and social landscapes.

So it is important to know how these human enterprises are created and sustained. We need to know more about them, especially in their earliest, most vulnerable state. We also need to know whether people or business ideas that don't fit the popularized pattern for growth company creation can start these kind of companies. What are the barriers for inclusion, real and imagined? These are anthropological concerns that are ripe for ethnographic inquiry.

This paper will examine insights gained from past research that could help to answer these questions.

THEORY

Two domains that could strengthen our conceptions of US growth entrepreneurship are kinship and complexity. Recent theory-building in these areas is especially relevant for ethnographic inquiry.

Entrepreneurial Kinship Systems. Significant theoretical work in the area of kinship and entrepreneurship work has already been undertaken by Stewart (2010). His work has deepened our understanding of the strategic employment of kinship within family businesses, specifically how gender impacts talent recruitment, how the range of kinship is manipulated and interpreted, including the inclusion of non-kin and exclusion of kin, and a more precise definition of ties and obligations.

Verver and Koning (2017) have also developed theoretical frameworks that apply kinship to entrepreneurship through their research with Cambodian Chinese family business owners. Their expansive definition of kinship coincides with Stewart.

> *We first define kinship as interpersonal ties grounded in "relatedness"* (Carsten, 2000, p. 1)*, ranging from blood- and marriage-based ties (within and beyond the household) to broader ties of (putative) shared ancestry, descent, and (ethnic) identity. We thus demonstrate that family and ethnicity are subsets of the overarching kinship domain* (cf. Stewart, 2013)

A non-biological basis for of kinship provides another lens within which to analyze entrepreneurial ecosystem affiliations via social network connections. There are at least three relevant social networks for US growth entrepreneurs that are ripe for kinship analysis--LinkedIn, AngelList and Github. Rencher (2012) provides a detailed examination of the kinship structure of LinkedIn. LinkedIn is a general-purpose business social network, but other networks have more of a focused function. AngelList, founded in 2010, was organized to facilitate financial and social investment in startup companies. Started in 2007, GitHub enables collaborative software development without fear of accidental destruction or security breaches. Each of these systems could be examined using Verver and Koning's framework. Taxonomies of relatedness can also be developed based on accelerator participation, place-based entrepreneurial ecosystems, and social network connections are a foundation for unearthing the meaning behind these connections.

There could also be a test of Verver and Koning's typology of reciprocity (from generalized to balanced) and trust (from personal to collective). Trust has been previously identified as an aspect of entrepreneurial communities (*Ibid*) and has been associated with other themes such as integrity, solidarity, and emotional bonding in entrepreneurship (Discua Cruz, Cruz, Howorth, & Hamilton, 2012; Welter, 2012). Verver and Koning build on these insights to produce an actionable framework on kinship.

Complexity. Ethnography is a powerful way to apprehend the multiple dimensions involved in the social aspects of organizations operating within the context of complexity. One potential direction for ethnographic work with growth startups is via Urban and Koh's (2013) research chronicling ethnographic research in modern corporations. They identify two perspectives adopted by most researchers: 1) an external perspective analyzing the effects of corporations on workers, communities, consumers, and the broader environment and 2) an internal perspective discovering the inner workings of corporations as small-scale (or even large-scale) societies. They advocated a synthesis of these approaches.

> *The two perspectives—the views from outside (effects of) and inside (inner workings of) the corporation—need to be brought into dialogue with one another... Ethnography inside corporations reveals the rich diversity of the corporate form, and of its beliefs, values, and motivations, thereby challenging or adding nuance to some of the presuppositions about inner workings associated with corporate-effects research. Correspondingly, the study of effects brings the corporation into focus as a singular kind of social entity, one constituted around a*

dominant goal—the pursuit of profit—but at the same time highlights the variability in effects attributable to culture, thereby tempering views of corporations as having the same impact everywhere (Urban & Koh, 2013, p. 153).

Activity theory is another sophisticated, multidimensional approach to entrepreneurial research. Activity theory takes the activity system as its unit of analysis, bridging the gulf between the subject (an individual or group) and society (Engeström, 2014). Activity theory's expansive cycle—in which internalization (the intellectual aspect of activity) and externalization (the embodied aspect of activity) processes work together to produce new social structures and cultural meaning—is a useful way to conceptualize the process of organizing a startup business. Research on Detroit entrepreneurial communities that was informed by activity theory revealed four types of entrepreneurial activity systems: 1) organizing, 2) networking, 3) pitching and 4) nurturing. Networking and pitching are *emic,* internally-oriented activity categories. Organizing and nurturing are *etic,* externally-oriented activity categories. The inclusion of both perspectives provides a more holistic approach (Rencher, 2012).

These entrepreneurial activity systems have specific functions for US growth startups operating within an entrepreneurial ecosystems. Organizations can be conceptualized as social forms defined by goal-oriented instrumental rationality (Batteau, 2000). *Organization on an activity level is then the transmission and adoption of rationality*. Entrepreneurial communities and the ecosystems in which they operate function to transmit instrumental rationality to startup companies and lead them through a discovery-oriented business development process. At the same time that these communities are helping to organize the companies in their communities, they also connect their members to the wider community of entrepreneurs.

> *Modern society is not only structured vertically by the rationality of industrial and state organization, but that it is also structured horizontally by occupational groupings (Van Maanen & Barley, 1984, p. 297).*

The activity system most closely associated with occupational community-building is networking. *Networking is a discovery-oriented resource gathering activity for startup entrepreneurs*. There are two primary aspects of networking. The first is building a network, creating meaningful connections with people for the purpose of gaining resources (financial, human, intellectual, spiritual/emotional and others). The second is activating or mobilizing a network in order to capture those resources.

Pitching is activity associated with the physical representation of a startup, either through the entrepreneur or their artifacts. Pitching through the actions of the entrepreneur is an embodied experience. It takes mental preparation and its verbal aspects are typically memorized. It is primarily the presentation of one's physical self in front of an audience--whether it is an audience of one or of 1,000. The creation and presentation of dashboards, reports and progress charts are also pitching activities.

Entrepreneurial nurturing can take many forms, from the materialization of a business concept through vision boards and prototypes to the recognition of significant milestones. Nurturing generates faith for the entrepreneur. Given that the early stages of entrepreneurship can be difficult and discouraging, these activities are important for sustaining confidence in the business concept for the startup founder and stakeholders. *Nurturing activities confer legitimacy to the business concepts of their entrepreneurs while helping the entrepreneur to nurture belief in their ideas, and ultimately themselves*.

METHODS

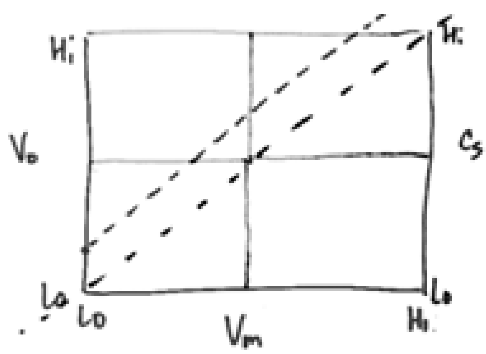
The theoretical frameworks discussed previously help us to organize our abstract notions of these human ventures. Let's turn our attention to the methods that will help us to understand US growth entrepreneurship more deeply. There are at least two shifts to consider that will strengthen our methodological approach. They are 1) the shift from centering research on the individual founder to centering it on the ecosystem and 2) the shift to focused research on the Valley of Death phase of the business startup process.

From the Individual to the Ecosystem. The intersection of entrepreneurship and ethnography has historically been focused on the industriousness of an individual Other. Most research has examined non-US based small scale businesses or charismatic, entrepreneurial individuals. The businesses are usually low growth, low employee businesses. The individuals are characterized as cultural or political entrepreneurs based on their personal influence within their local or regional setting (Rencher, 2012).

However, US growth entrepreneurship has already begun to be included in the anthropological record. Haines' study of startup accelerators (2014) focused on their function as sociotechnical systems operating within a larger network. This framing of growth entrepreneurship to include the ecosystem within which companies are embedded reflects a mature understanding of the implications of operating a US growth startup. The dynamic shifts in technology and culture contribute to the kind of market volatility that enables relatively new entrants to be catalysts for disruptive innovation, making it possible for them to render entrenched market leaders into lumbering laggards (see AirBnB, Uber and Amazon in hotel, transportation and retail industries, respectively).

The context within which contemporary growth startups are emerging is consistent with Anderson, Salvador and Barnett's (2013) emergent market system, illustrated below. The x-axis is the Velocity of the Market (Vm) and the y-axis is the Velocity of the Organization (Vo). The total area being mapped is the Complexity of the System (Cs).

Figure 1: The Emergent Market System



Anderson *et al* posited that this conception of an emergent market transcended complicatedness and operates as a complex adaptive system.

The velocity of the organization as characterized in the emergent market system is the ability for an organization to find a position of order and stability in the market. The velocity of an organization is not just impacted by its intellectual property, technological prowess or execution of business strategy, it is also a function of its relative place and connections within the entrepreneurial ecosystem. Affiliation with a well-regarded accelerator like Y Combinator or a storied venture capital firm like Andreessen Horowitz confers significant social capital on a US growth startup. Ethnographic inquiry into the relative advantages of these kinds of connections would help to unpack the dynamics of the meritocracy proffered as a cornerstone value of US growth entrepreneurship.

The relationship between entrepreneurs and venture capitalists may privilege a startup, but it may also hinder its process of innovation. The Lean Startup methodology is one the primary tenets of US growth entrepreneurship. It is akin to religious doctrine in the startup community and is in particular favor in the venture capital community. The method advocates the scientific method of experimentation for developing and testing business hypotheses in the marketplace (Ries, 2011). Haines' (2016) research on venture capital, the Lean Startup methodology and disruptive innovation illustrates how prioritizing "social proof" over having a deep understanding of meaning for users can result in missed opportunities for innovation. Ideas for ethnographically-based research practices using business model canvas-like tools (Anderson, Levin, Barnett, & Bezaitis, 2015; Rencher, 2014) could also be useful.

In addition, the scientific approach of the methodology implies some level of market stability. The goal is to have proven hypotheses backed by data that can be reliably replicated. Given the flux state characterized by Anderson *et al*, an ethnographic approach may yield more actionable insight. Big data and ethno-analytic methods as detailed by Anderson *et al* (2013) are promising tactics for startup research.

The Valley of Death. For US growth entrepreneurs, the Valley of Death is the stage in the development process between founding a business and finding a sustainable, reliable and scalable business model (see Figure 2). Usually the business is not generating enough revenue to cover its costs during this phase (Markham, 2002).

Figure 2: The Valley of Death

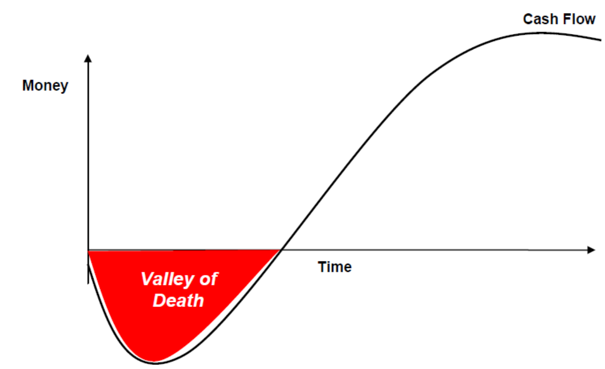
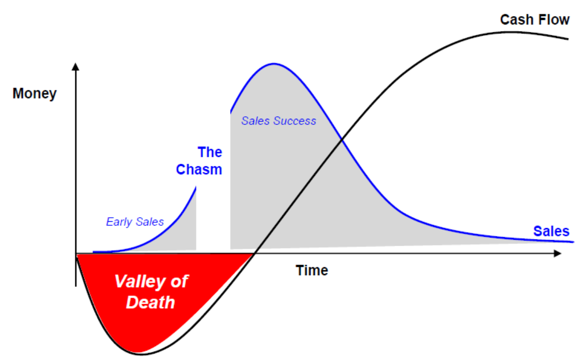


Figure 3: The Valley of Death + Chasm



It is also a time of fear, uncertainty and doubt for the entrepreneur, who must find a sustainable business model for their startup before they run out of resources. Until a startup begins to generate revenue, it is unlikely to attract significant investment. According to the US Small Business Administration, about 51 percent of startups with employees survive their first five years--a time that can overlap the Valley of Death stage. The survival rate for growth entrepreneurs is probably significantly less, given the low barriers to entry, proliferation of unproven business models, and the large number of non-employing firms which may not formally organize. Typically these companies emerge from the Valley of Death after undergoing a series of changes to their business model based on the feedback from experimentation, advice from mentors, and resource constraints.

Entrepreneurs must negotiate the Valley of Death while ensuring that their disruptive innovations also “cross the chasm” (see Figure 3). Crossing the chasm describes how new and disruptive technologies move from early adopters to a mainstream audience (Moore, 2014). Successful adoption is a function of technical efficacy and effective navigation of the social web in which they are embedded.

There is a dearth of research covering the Valley of Death phase of the startup process. A longitudinal study based on the “My People” model proposed by Anderson et al (2013) is a good step in the right direction. This approach could meld case studies, participant observation, event sponsorship and active support to promote greater insight.

CONCLUSION

The goal of this paper was to review what we have recently learned about the sociocultural aspects of entrepreneurship and to explore future directions for ethnographic inquiry, particularly with US growth startups. We know that kinship can enable strategic choices for family businesses and can extend our conceptions of relatedness to uncover a greater understanding of strategic choices in an entrepreneurial ecosystem. We can also build more nuanced and sophisticated frameworks for interrogating and modeling the complexity inherent in growth entrepreneurship via activity systems and methodological approaches that reflect multiple perspectives. By adapting and innovating ethnographic praxis, we can uncover important insights about our most compelling human ventures.

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