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Invited Article

An Entrepreneurial Context for the Theory of the Firm: Exploring Assumptions and Consequences

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While entrepreneurship may be driven by personal interests and lifestyle choices, entrepreneurial actions are not only economically driven opportunity-searching processes but also enactments of social transformation that may or may not lead to socioeconomic benefits. We advance that exploring these entrepreneurial processes can inform a theory of the firm that may explain how socioeconomic processes shape the socioeconomic environment of communities while serving individuals. This article discusses several understandings of the firm, as theorized in extant literature. Guided by these different conceptualizations, we present a case study of an artist and artisan cluster in Western Massachusetts to demonstrate various understandings of entrepreneurial processes. By way of conclusion, we develop the idea of the firm as a geographically embedded relational understanding aiding entrepreneurs to achieve personal goals while coconstructing their local environment.

Keywords: theory of the firm; economic development; entrepreneurship theory; clusters; sustainability

Entrepreneurs, as embodied and active members of a community, are not one-dimensional economic maximizers of self-interests (Calás, Smircich, & Bourne, 2009). Rather, they constantly balance their commitments toward their community at large and their individual social and economic needs, always framing their actions by local, socially constructed rules of engagement. In this article, we advance that a better understanding of entrepreneurs' (balancing) actions can help to inform a theory of the firm that may explain how entrepreneurial processes shape the socioeconomic environment of communities while at the same time serving the needs of individuals. Our interest is to develop a theoretical framework that allows for a unifying understanding of entrepreneurship as a new process creating the firm, taking into consideration spatial context as part of the socioeconomic process, thus developing a framework that is equally adequate to explain entrepreneurship and firms. In more concrete terms, we advance a theory of the firm that bridges the action of individuals (micro-processes) and the purposefully coordinated actions of collectives (macro-processes) while taking into account the locality of these processes. By way of conclusion, we explain the firm as a geographically embedded network of temporal (but recurrent) processes aiding entrepreneurs to achieve personal goals while (un)purposefully coconstructing their local socioeconomic environment.

There is a new and emerging understanding of the firm rooted in the field of New Economic Geography. This perspective is the outcome of a progressive understanding that seeks to link and explain simultaneously the micro and macro level of organizational analysis. At the macro level, it explores the relationships across firms and the firm as an organization. At the micro level, it describes the dynamics of individuals within firms and across firms. As such, it builds on earlier ideas of the firm and its processes, while expanding on the understandings of business and business activities. This conceptualization, besides taking into account the firm's geographical location and the role of individuals, suggests that socioeconomic relationships among organizations and between organizations and their environment are both relational (Bathelt & Glückler, 2003; Yeung, 2005) and processual in nature (Wooldridge, Calás, & Osorio, 2005). Accordingly, it advances two interrelated ideas. First, it suggests that the socioeconomic environment where individuals enact organizations' processes is simultaneously the outcome and the framework of these processes. Second, it proposes that organizations and their environment are open socioeconomic processes linked to, and influenced by, the geographical space where they take place.

While work in economic geography uses this theoretical lens to focus on understanding the spatial distribution of organizations (and individuals) as socioeconomic processes within regions (Bathelt & Glückler, 2003), we explore its potential to inform a processual theory of the firm for entrepreneurs and their enactment of the firm and its environment. To this end, we use the so-called business environment known as *the cluster* as an exemplar for several reasons. First, the cluster consists of a large concentration of entrepreneurs, entrepreneurial processes, and firms. Second, the cluster has been conceptualized as an organizational phenomenon that links the micro and macro levels of analysis. And, finally, the cluster has been defined as an above-average geographical concentration of interrelated firms affecting local conditions by fostering local economic wealth and an improved quality of life for neighboring stakeholders (Marshall, 1890; McDonald & Belussi, 2002). As such, our empirical work examines an artist and artisan cluster in Western Massachusetts to highlight how epistemological premises of the theory of the firm may frame understanding of the role of entrepreneurs as part of local dynamics, explore the link between firms and their environment (i.e., physical, social, economic), and frame the perceptions of the relationships among firms.

As a point of entrance, we use Calás, Smircich, and Bourne (2009) and Steyaert and Hjorth's (2006) methatheoretical perspective to frame entrepreneurship as a process of social change. In addition, we draw from Taylor and Asheim's (2001) classification of the theories of the firm, McDonald and Belussi's (2002) review on clusters, and Smircich and Stubbart's (1985) work on the interpretation of the environment. Accordingly, we discuss the role of the entrepreneur under different theoretical representations of the firm in extant literature. This initial discussion stresses two underlying and interrelated premises. First, the role of entrepreneurs is to find the best position for their purposes within the environment. And second, entrepreneurial ventures and their environment are currently posed as two independent phenomena. Following this analysis on entrepreneurship across different contextualizations of the firm, we present and discuss a new relational understanding of the firm along with the new role of the entrepreneur. As such, our article advances that entrepreneurial enactment of the environment defines the entrepreneurial venture and vice versa.

The Entrepreneur, the Firm, and the Environment

The success stories of entrepreneurs are explicit reminders that organizations do not act; rather, it is people who enact organizations. Thus, what people do on behalf of the organization and/or enact as an organization is framed by what individuals conceive as the organization and its environment (Smircich & Stubbart, 1985). In a broad sense, these enacted understandings can be divided into two main camps: the rationalistic perspective, which presents both the firm and its environment as an objective economic reality, and the socioeconomic perspective, which incorporates individuals as social-beings (Taylor & Asheim, 2001). In the next section we discuss these two perspectives to later advance the relational view, an alternative framework that presents the firm as a geographically embedded relational understanding aiding entrepreneurs to achieve personal goals (economic and noneconomic) while coconstructing their local environment.

Rationalistic Perspective

The rationalistic or economic perspective assumes both the organization and its environment—including entrepreneurial opportunities—to be two independent and objective economic realities. Hence, it is presumed that both can be either observed or perceived by the entrepreneur. Within this perspective, we can assume the entrepreneur to be primarily concerned with economic efficiencies as the determinant of the fitness and survival of the firm (Taylor & Asheim, 2001). Thus, entrepreneurs, it could be argued, seek to take advantage of geographical clusters of interlinked production organizations as the ideal production system (McDonald & Belussi, 2002). Three major categories—all of them portraying the firm as an abstract production function—can be identified within this perspective: (1) neoclassical economics, (2) behavioral economics, and (3) structuralism.

Neoclassical Economics. In neoclassical economics, the firm is an economic function that represents production (Coase, 1937). The space in which entrepreneurs may act is explained as the economic structure where firms interact with other firms (i.e., the market or entrepreneurial space). An ideal market is described by an above-average geographical cluster of interlinked production functions (i.e., firms) where entrepreneurs may only succeed if they follow rational and objective decisions about resource allocation (e.g., Hill & Brennan, 2000). A fundamental element to this argument is Weber's (1929) location theory, which considers situating firms (and entrepreneurial efforts) in close geographical proximity as motivated by entrepreneurs' desire to achieve economic efficiencies. These choices are informed by entrepreneurs' objective observations of the environment and driven by the strategic need to address the transportation cost of inputs and outputs. Furthermore, the clustering of business in proximity to human settlements is explained as both the firms' (entrepreneurs) need for labor and the workers' need for wages.

Evolving from earlier conceptualizations of the firm as a production function, the transaction cost (TC) approach was developed to explain the boundaries of the firm, its internal dynamics, and the relationships among firms (i.e., market vs. hierarchies' dilemma) (Williamson, 1971, 1975). TC served to show how decisions available to the entrepreneur simultaneously define the firm as a production function and set the existence of a market as an economic externality to the firm (entrepreneurial processes). These decisions are limited to a choice between controlling (e.g., to make) and not controlling (e.g., to buy) the production process, thus defining the presence and nature of the market as part of the entrepreneurial process.

Firms and markets can only exist under economic premises favoring buying over making choices (Coase, 1937). Any other scenario discouraging the preference of markets (e.g., buy) over hierarchies (e.g., make) not only pushes firms and markets out of theoretical existence but also denies the role of entrepreneurs, as it takes away choice (Williamson, 1971, 1975). Entrepreneurs within the cluster rely on its existence to survive, in as much as the cluster requires firms to exist. The neoclassical description of these dynamics assumes the actions of entrepreneurs to be a response to aseptic economic externalities rather than an interactive progression among parties immersed in a commonly shared, ever-changing, socioeconomic environment. This conceptualization ignores the "processual" nature of the transactions (Hodgson, 1988). Likewise, it disregards the fact that entrepreneurs (firms) within clusters may negotiate and establish long-term relationships based on trust and reciprocity (Dicken & Malmberg, 2001; Dicken & Thrift, 1992; Grabher, 1993).

Behavioral Economics. As a result of a practical distinction between rational choice and actual decision-making by individuals, an alternative behavioral conceptualization of the firm (March & Simon, 1958) and its environment was developed (Higgins & Savoie, 1995). This new approach replaces the rational decision-making assumptions based on perfect knowledge with satisficing choices involving imperfect information and uncertainty. In this context, it is acknowledged that entrepreneurs do not objectively observe the environment but perceive it with their own flawed views (Smircich & Stubbart, 1985). This notion fosters a new school of thought, behavioral economics, which is defined by bounded rationality and opportunistic behavior assumptions (Williamson, 1985).

This perspective set the ground for a new theory of the firm, and a new understanding of entrepreneurship, based on institutional adaptation and change (North, 1991). It rejects the solely economic understanding of firms and relationships among firms, as it acknowledges the role of individuals as performers of the firm's decision-making process, thereby asserting the role of entrepreneurs. Although the behavioral school mirrors the neoclassical suppositions about the firm as a production function, the former sets itself apart by considering that production decisions are not rational and perfect but satisficing, as they are made by individuals.

Cyert and March (1963) presented perhaps the best argument on the behavioral conceptualizations of the firm that serves to explain how decisions available to entrepreneurs may lead to clusters. Their argument proposes that, because of bounded rationality and the need to protect their decisions from uncertainty, entrepreneurs will not only choose to cluster their firms around resources but they will also choose to form "coalitions" to overcome imperfect information, uncertainty, and conflict. This represents a major break with the neoclassical tradition, which presupposes rational markets ignoring all those elements. Each coalition can be described as an entrepreneur's transaction network, since its constituency includes all stakeholders, internal and external, that the venture can or could have. Hence, entrepreneurial decision-making, instead of being a mechanical event, becomes a process involving conflict, uncertainty, problem-stimulated search, learning, and adaptation over time. This suboptimal decision-making can be directly translated into a conceptualization of the cluster. Entrepreneurs' site selection, and therefore clustering, does not occur because of the availability of optimal conditions but because of strategic decisions taken by entrepreneurs. Within this perspective, the driving force is the entrepreneur's willingness to accept satisficing scenarios (Pred, 1967; Smith, 1971) as a protection from external uncertainties.

Though it adds meaning and extends the range of entrepreneurial choices by replacing assumptions of efficiencies with satisficing approaches, behavioral economics is still limited to economic incentives and choices, blinding entrepreneurs to any other, noneconomic rationale. Thus, it only constitutes a partial view of the cluster and the role of the entrepreneur.

Structuralism. Unlike neoclassical or behavioral economists, who assume a self-regulated market with a smooth market-price system facilitates managerial choices, structuralist scholars adopt a more pessimistic view of the abilities of the invisible hand of the market (Arndt, 1985). Assuming that differences among environments are structural and exogenous to market agents, structuralists advance that the range of opportunities available to entrepreneurs is constrained by market conditions, which are assumed as external and independent from the entrepreneur (e.g., Porter, 1981, 1998). Hence, the role of entrepreneurs becomes two-fold: first, to find an environment with satisficing opportunities to locate their venture; and, second, to fit the venture into this environment structure.

Advancing the structuralist agenda, Arndt (1985) suggests free markets have three major flaws: (1) there is not a good signaling mechanism (opportunities are hard to find), (2) economic actors are rationally bounded (no social component is considered), and (3) factors of production tend to be immobile (immobility of resources). Often an external intervention (i.e., state-driven, top-down coordination, with an infusion of resources) is required to help entrepreneurs to force or sustain the existence of their ventures and their ideal environment: the cluster (i.e., Markusen, 1994; McDonald & Belussi, 2002; Porter, 1990, 2003). This external mechanism is assumed to supersede and restrict any entrepreneurial decision, as it advances that the venture's performance is largely determined by the environment's conditions (Porter, 1981). External mechanisms, such as state intervention and/or central planning organizations, are assumed to be necessary to achieve a balanced and inclusive development of the environment (Arndt, 1985). Furthermore, entrepreneurs are assumed to be aware of their limited perception and satisficing bias. Therefore, external regulatory forces are accepted by the cluster membership (i.e., entrepreneurs) as having a vision above and beyond them, and, accordingly, these regulatory forces become vested with the necessary power to make the vision a shared reality that may ensure the survival of all ventures.

In general, the existence of ideal conditions for entrepreneurial ventures (i.e., firms) to survive assumes the presence of a supraorganizing structure and an external governance mechanism coordinating all entrepreneurial efforts and monitoring all ventures (e.g., the state). This ideal environment is marked by an above-average geographical concentration of interconnected ventures (e.g., a cluster). The nonexistence of a cluster indicates, by extension, the absence of the governance structure or, at least, its inefficiency. While the causal relationship between a cluster of entrepreneurial ventures and structure is a given, the conception of how governance mechanisms should work and what path of development should be followed is not universally shared. Anglo-Saxon structuralists implicitly or explicitly assumed that there is a single and universal path; hence, underdeveloped regions/countries should just imitate the past experience of developed ones (Bustelo, 1998). In contrast, Latin-American structuralists emerged with a critical awareness of the two basic assumptions of the Anglo-Saxon model: universality and isolation. The Latin-American approach argues there is no such thing as a single path of development (nonuniversality) and the world economy is an integrated system with a center (developed countries) and a periphery (developing countries) (Prebisch, 1950). Whether the perspective presupposes universality or not, structuralism assumes that clusters are not the outcome of savvy entrepreneurs promoting collective efforts but the ongoing accomplishment of external forces controlling the environment by regulating transactions and controlling structures, which ignores the processual nature of firms, entrepreneurs, and environments.

A summary of the above discussion is presented in Table 1.

Socioeconomic Perspectives

Different from rationalistic or economic theories, socioeconomic theories highlight the social construction of the entrepreneurial venture and the environment. These theories seek to incorporate the human element in the model, not only as a labor factor or unperfected decision-maker but also as a social being capable of purposefully generating rules, building communities and changing its environment, both social and physical. Five major theoretical frameworks encompass this perspective: (1) institutional theory, (2) network theory, (3) resource-based view, (4) discursive approach, and (5) temporary coalitions.

Institutional Theory. Institutional theory's understanding of entrepreneurial ventures—and, by extension, clusters—builds on the seminal work of sociologists such as Powell and DiMaggio (1991), Zucker (1977), Meyer and Rowan (1983), and Scott (1981). Ventures (or organizations) and their socioeconomic environment are a socially constructed reality developed by individuals following the processes advanced by Berger and Luckman (1989). Likewise, entrepreneurial choices are developed and implemented under a shared, socially constructed system of beliefs, with the dual objective of advancing the venture (or creating a social or economic change) while locating the mirroring (and supporting) organization in a physical location. It is in this context that institutional theory, in general, understands "real places" and how place-specific institutions affect local patterns of socioeconomic development (Boschma & Frenken, 2006).

Institutional theory, at the firm level, dictates that entrepreneurs' choice in early adoption of new practices can be explained by "competitive isomorphism," while later implementations can be elucidated as an "institutional isomorphism" argument (Garcia-Pont & Nohria, 2002). These two dynamics, when in place, serve as alternate drivers of mimetic behavior that foster and sustain conglomerates of interrelated ventures known as clusters (Fennell, 1980). This process has been described as the "hot spots" argument (Pouder & St. John, 1996), which advances that early adopters of a strategy, such as moving to a particular location, do so expecting to

Table 1. Rationalistic/Economic Perspective

Perspective	Nature of the Environment (e.g., Cluster)	Nature of the Organization (e.g., Venture)	Role of the Entrepreneur
Neoclassical Economics	Conglomerate of market-created production functions based on rational decisions and perfect information	Market-created production function based on rational decisions and perfect information	Using objective efficiency: • To coordinate the production efforts within the firm to ensure economic benefits via production efficiencies • To place and lock the venture at the right position within the environment to incorporate the internal efficiencies as part of the external processes
Behavioral Economics	Conglomerate of market-created production functions based on satisficing decisions (uncertainty/incomplete information)	Market-created production function based on satisficing decisions (uncertainty/ incomplete information)	Using bounded rationality: • To coordinate the production efforts within the venture to ensure economic benefits via production efficiencies • To place and lock the venture at the right position within the environment to incorporate the internal efficiencies as part of the external processes
Structuralism	Externally created control structure containing a conglomerate of also externally created control structures that manage production functions within the market. Decision rationale is based on satisficing (uncertainty/ incomplete information)	Externally created control structure that manages production functions within the market. Decision rationale is based on satisficing (uncertainty/ incomplete information)	To fit: • The firm's internal production efforts within the external structure • To place and lock the venture at the right position within the externally controlled structure

achieve a competitive edge over other ventures. If they succeed (or, at least, do not fail trying), this strategy may drive a surge of competitive isomorphism, as other entrepreneurs may seek to (re)locate operations in the vicinity to attain the same benefits as the pioneers. In the end, such a strategy becomes a socially constructed, self-fulfilling prophecy, as the cluster becomes a protective, socioeconomic enclave, where entrepreneurs locate ventures to save them from the market's volatility and, sometimes, its destructive competitiveness (Hodgson, 1988). Hence, although entrepreneurs can pursue any opportunity because of local social dynamics, in practice, their decisions become constrained by the enacted consensus among peers. Eventually, agreement among peers, and social acceptance of a shared reality, defines what a successful entrepreneurial venture may be. Furthermore, neither the endowments of the physical locality where processes take place, nor the reciprocal relationship between processes and the socioeconomic environment, are taken into account.

Network Theory. The idea of describing a cluster of geographically delimited and interrelated ventures as a network, and portraying the colocating of entrepreneurs within this network as a successful strategy, is not new. Penrose (1995) notes the network concept first appeared in the business and economic literature in the nineteenth century with Marshall's (1890) commentary on industrial districts. Accordingly, she argues Marshall's work, describing a collection of geographically concentrated small- and medium-size ventures operating closely together while depending on each other for operations and services, refers to networks of interrelated businesses. This conceptualization of network, she further elaborates, presents relationships and links of a more open nature than contemporary understandings of social networks.

Seen thusly, network theory is concerned with the networking of ventures through the networking of individuals (entrepreneurs) (Gabbay & Leenders, 1999). While traditional institutional theory presents a model where firms/institutions/ventures interact and react to each other, network theory situates dynamic processes within networks of reciprocity, interdependence, and unequal power relations (Grabher, 1993; Taylor, 1996). Therefore, while clusters are enacted at the individual level as local businesses and society dynamics (Smircich & Stubbart, 1985), at the supra level a cluster represents the socioeconomic network in which ventures are embedded (Yeung, 1998, 2005).

At the center of this approach are Granovetter (1985) and Powell's (1990) assumptions that all economic exchanges are socially embedded. The nature of entrepreneurial effort becomes understood as contingent upon culture, cognition, political institutions, and social structure (Zukin & DiMaggio, 1990), which are both institutions and institutionalized rules of transaction. The entrepreneurial enactment of relationships is articulated and incorporated into networks that act as templates directing and regulating socially embedded market exchanges. Thus, the role of entrepreneurs as enactors of these relationships becomes both extended as their responsibilities include looking after the interests of all the venture's stakeholders and constrained by these very same responsibilities.

Resource Based View (RBV). The resource-based view (RBV) (Barney, 1991; Penrose, 1995) maintains that entrepreneurial ventures are nothing but bundles of activity-specific resources, which are valuable because of the unique capabilities they provide to the venture, not their economic worth, and constitute the environment in which ventures are set. As such, RBV follows the same line of reasoning of venture embeddedness described in the social networks argument (Foss, 1994). Thus, the RBV framework advances that venture performance is contingent on the right entrepreneurial use of nearby resources (Egelhoff, 1988). Under the RBV approach, clusters can be explained as the coordinated ability of a group of entrepreneurs effectively combining and using local resources, such as, the so-called "Italian districts" described by Becattini (1991, 2002).

Further understandings of the key role of knowledge to combine other resources gave origin to the knowledge-based view (KBV). Accordingly, KBV introduces a variation of RBV where the primary rationale for a venture to exist is the creation, transfer and application of knowledge (Demsetz, 1991; Grant, 1996; Nonaka, 1994; Spender, 1996). Thus, the venture, as a unit of knowledge, becomes simultaneously one more of the cluster resources and a tool for entrepreneurs' plans. Entrepreneurs become understood as knowledge brokers and cluster success relies on their ability to leverage knowledge to establish permanent relationships with other entrepreneurs.

KBV proposes "the heterogeneous knowledge bases and capabilities among firms are the main determinants of performance differences" (DeCarolis & Deeds, 1999, p.954). Not only may entrepreneurs draw from different bases and capabilities to create new knowledge, they also have differential access to externally generated knowledge (DeCarolis & Deeds, 1999). As a case in point, it is suggested that close geographical proximity of ventures or entrepreneurs with similar interests promotes the natural exchange of ideas through institutionalized networks, while nonmembers of the network will be deterred from accessing this knowledge (Lynn, Reddy, & Aram, 1996; Saxenian, 1990). Therefore, access to localized knowledge and processes—as originally described by Marshall (1890)—has become one of the main arguments explaining both the existence of clusters and their value to entrepreneurs. Hence, KBV has also contributed to the expansion of the social network view, where clusters are local networks that channel flows of knowledge.

Ventures—and by extension clusters of ventures—in RBV and KBV interpretations are theorized in ways consistent with the socioeconomic perspective. They consider local resources in terms of the capabilities they represent and not in terms of their relative economic costs. Likewise, they measure cluster success as the economic success of each one of the firms and not by cluster conditions. However, while RBV argues all resources are equally valuable, including entrepreneurs, KBV suggests resources without the know-how to use them are useless. Hence, KBV proposes knowledge is the cornerstone of all resources. As such, venture success is dependent on the entrepreneur's ability to use resources.

Discursive Approach. Discursive research relies on a social constructionist perspective to discourse. Rather than assuming conversations as reports of what happens in the world, a social constructionist approach treats the discourse in itself as a form of action; conversations among individuals are means to (co)construct reality (Berger & Luckman, 1989). Hence, discourses are "communities of practice" that enact shared realities, including knowledge creation and beliefs. Unique environments, such as new ventures or clusters, "exist" only because they are enacted as such by a collective (Smircich & Stubbart, 1985). The discourses (the new venture and its boundaries) are legitimated through a legalistic definition that mirrors their enactment.

Communities of practice are defined by conversations that encourage flows of knowledge (Lave & Chaiklin, 1993). This (co)creation of knowledge and practices is relational and centered on "talk" (Taylor & Asheim, 2001). It requires agency from the involved individuals, as well as an exchange of ideas and concepts, thus highlighting the role of entrepreneurs. Although the members of the community may not always be aware of their membership (Wenger, 1998; Wenger, McDermott, & Snyder, 2002), the coherence and characteristics of their network may signal them to outsiders as participants of a particular, enacted collective, as is the case in clusters such as Silicon Valley (Saxenian, 1990; Yeung, 1998, 2005).

The existence of a venture and/or a cluster can only happen if there is a discourse enacting them and their practices. Geographical conglomerates of ventures will not be acknowledged as clusters if ventures behave in isolation of each other, despite their physical closeness or even casual engagement. Likewise, ventures can only be assumed to exist if people enact them. Hence, identification and analysis become a matter of characterization and scrutiny of local discourses, as well as the relationships among local residents. It is then that the role of the entrepreneur becomes to establish, enact and sustain a discourse known as the venture. Likewise, the cluster can only exist if there is a community of entrepreneurs enacting a collective discourse that represents ventures and ventures interacting with each other.

Temporary Coalitions. While the discursive argument focuses on relationships from the individual's perspective, temporary coalitions address the interests of the group at large (Taylor, 2004; Taylor & Asheim, 2001). This approach is based on Taylor's understanding of the venture not as the space of happenings but as a collective process that funnels the interests of a group of people (i.e., a temporal, purposeful association of individuals driven by personal, socioeconomic interests) (Taylor, 2004). Hence, the task of entrepreneurs is to ensure the existence of the firm as the space of common understandings, where individuals can enact actions and intentions that link to other individuals (Smircich & Stubbart, 1985). And by doing so, they blur the boundaries of the firm as it becomes the community in itself.

Echoing Ouchi's (1980) argument on clans as mechanisms of intermediation, this approach explains the existence of a purposeful process: ventures—and, by extension, clusters—as enacted cooperatives of individuals with similar objectives, strong sense of ownership, and low levels of opportunism. Hence, this perspective assumes the ongoing existence of these processes as long as there is a congruent objective among participants, along with a collective sense of fairness in the exchanges within the group. However, even the sense of fairness, as with any other understanding within the collective, becomes socially constructed by the collective (Berger & Luckman, 1989).

Creation of personal wealth, and not optimal performance, is assumed to be the ultimate objective of the collective, whether it is the venture or the cluster, and, thus, the goal of the entrepreneur. Of foremost importance for the entrepreneur is the awareness that individual creation of wealth cannot disadvantage the wealth creation of the collective's members if the coalition is to survive and even flourish. Nonetheless, ventures—and clusters—are not permanent; coalitions only exist as long as there is an enacted common interest bringing a particular set of individuals together. Networking linkages are established and dissolved by purpose-driven entrepreneurs as environmental conditions—economic, social, and regulatory—change and are adjusted (Taylor, 2004; Taylor & Asheim, 2001).

A summary of the socioeconomic conceptualization of the cluster according to each theoretical perspective and its consequences regarding the nature the firm is presented in Table 2.

The Relational Understanding of the Firm (and Entrepreneurial Ventures)

A new conceptualization of organizations has recently been developed in the field of New Economic Geography. This approach describes any organization—including the firm and the entrepreneurial venture—as a purpose-driven network of processes contingently constituted by the ongoing collective outcome, at different spatial scales, of individuals conducting everyday actions (Gibson-Graham, 1996; Yeung, 2005). In terms of the firm, this conceptualization allows the tacit understanding that the outcomes of these processes are of economic nature, as the dominant logic and the process involved are of economic nature. Likewise, the social milieu behind this relational conceptualization, when looking at the actions of entrepreneurs, accepts the open possibility of noneconomic outcomes.

This relational notion of the firm, proposed by Yeung (1998, 2005), simultaneously echoes Granovetter's (1985) ideas of economic transactions as socially embedded, Penrose's (1995) view of the firm as a collection of social processes, and Durkheim's (1895 [1966]) social milieu ideas. It presents the firm and, more important yet, the entrepreneurial venture as a purpose-driven, temporal coalition of geographically embedded individuals pursuing a shared goal, not an abstract social construct of economic outcomes. This understanding is supported by two interrelated ideas. First, organizations and their environment are open socioeconomic processes linked to, and influenced by, the geographical

Table 2. Socioeconomic Perspective

Perspective	Nature of the Environment (e.g., Cluster)	Nature of the Organization (e.g., Venture)	Role of the Entrepreneur
Institutional Theory	Socially embedded conglomerate of rules and routines controlling and creating economic processes	Socially embedded rules and routines controlling and creating economic processes	To coordinate socially constructed—and commonly shared—system of beliefs to ensure that enacted ventures conform with consensual understandings of action
Network Theory	Socially embedded conglomerate of reciprocal and interdependent networks that control and create economic processes	Socially embedded reciprocal and interdependent network that control and create economic processes	To monitor and influence linkages/ relationships across individuals and organizations, and to ensure a commonly enacted goal
Resource Based View (RBV)	Conglomerate of bundles of resources framed by social embeddedness and (co)created knowledge. Learning place created through social dynamics	Bundle of resources framed by social embeddedness and (co) created knowledge. Learning place created through social dynamics	To enact means to ensure, attain, and organize all needed resources to make things happen within the venture
Discursive Approach	Socially constructed "talk" involving unequal power geometries and contestations between individuals. Managerial/ collective discourse referring to clusters	Socially constructed "talk" involving unequal power geometries and contestations between individuals. Managerial discourse referring to firms	To (co)create the discourse of the venture and its environment in collaboration with the venture's stakeholders
Temporary Coalitions	Socially constructed community-based temporal alliances driven by collective agency	Socially constructed community-based temporal alliances driven by collective agency	To ensure the existence of the venture as the space where individuals can enact actions and intentions that bridge across to other individuals

space where they take place, as individuals simultaneously change and are changed by the space they occupy. Second, it suggests that the socioeconomic environment where entrepreneurs perform and enact their ventures is simultaneously the outcome and the framework of these processes (Osorio, 2008; Wooldridge, et al. 2005). Underlying these ideas is the premise that all ventures are just individuals linked in temporary coalitions via social networks. Hence, different spatial patterns and collective interests generate different kinds of relationships within the network and foster different configurations of organizations and local outcomes (Yeung, 2005). The role of entrepreneurs is to monitor and coordinate happenings within different spaces and networks to ensure that structures and participants aid their interests and that no interference takes place among the different processes.

Entrepreneurial actions and ventures are the outcome of two interrelated actions: the pursuit of common interests by the members of a collective and the dynamic interaction among individuals due to common interests. As individuals connect in joint activities and discussions, helping each other and sharing information, a network where participants become embedded is built (Yeung, 1998, 2005). This relational network is formed by interpersonal relationships, family ties and/or simple social liaisons (Wooldridge, et al. 2005; Yeung, 1998, 2005). Moreover, it is consolidated by a series of institutionalized interactions. To sustain the links, individuals invest time and effort and follow common (tacit or explicit) rules of engagement. They develop a shared collection of resources: stories, tools, experiences, approaches to recurring problems, habits—in short, a shared practice (Osorio, 2008).

Research Design and Method. In light of the above discussion, we contend the new and emerging understanding of the firm rooted in the field of New Economic Geography can serve to recognize entrepreneurial endeavor as a geographically and socially embedded, ever-changing processes that is part and parcel of the space where it takes place. This alternative view contrasts with understandings of entrepreneurial endeavor as an atemporal, geographically delimited, economic phenomenon subject to a present/absent dichotomy and fueled by legalistic representations of itself or economic abstractions of its operations. As such, we argue that the new perspective can serve to acknowledge individuals as participants in an ongoing, communal, organizing process—embedded in local happenings and evolving through time—that may (or may not) result in economic driven organizations (i.e., firms). Hence, the unit of analysis cannot be the fully instituted entrepreneurial venture or the entrepreneur but the processes that, through time, may constitute the venture and aid (or deter) the entrepreneur. Thus, how may entrepreneurial processes inform a theory of the firm to explain the way in which the actions of entrepreneurs, as they engage in new ventures that serve their individual purposes and intentions, shape the socioeconomic environment of their communities?

To answer our question, we apply a concurrent mixed-method framework (Creswell, 2003), which combines an in-depth case study (Yin, 2003) and a social networks perspective (Crewe, 2007), informed by an ethnographic methodology, as complementing tools of research and not as a sum of methods. Our approach offers a methodological awareness for observing reciprocal and simultaneous organizing happenings. It positions local organizations and individuals as contextualized, interconnected, interdependent, and interactive entities engaged in practices simultaneously shaping one single meta-process: the commonly shared socioeconomic environment. In parallel, our methodology assumes that this meta-process fosters, sculpts, and influences entrepreneurial ventures (individuals, organizations) and embedded entrepreneurship (organizing) processes. Hence, rather than presenting the actions of entrepreneurs and the socioeconomic environment as two independent phenomena, our multimethod approach ontologically locates and explores both phenomena as a single processual time and location-dependent happening.

Data collection for our exemplar case study involved four years of fieldwork in a former mill town in Western Massachusetts. The location was selected because of the intentions (and entrepreneurial actions) of community members to address the socioeconomic decline of their city by forming a series of organizations to promote and coordinate the local arts and artisan community. The research design included ethnographic observations covering all Arts City Council meetings (once a month for 1 to 3 hours each) and Arts and Culture Master Plan meetings and gatherings (once or twice a month for 3 to 5 hours each), as well as several of the city-wide art-related activities, such as Open Studio events (at least twice a year for 6 hours each), Art Walks (once a month for 4 hours each), and the City Hall as an Art Building Project (twice a year for 3 hours each). Additionally, our observations were complemented and informed by local media reports, archival data, and hundreds of informal conversations and interviews with local and visiting artists, local business owners, city officials, and state representatives. Interviews and conversations took place at artist studios, art galleries, public meetings, and business locations. Meetings and conversations in which consent was given were recorded, while extensive handwritten notes were made in all instances. Likewise, all official records and minutes for all arts-related public, official, and grassroots events were gathered. Finally, we subscribed to all official and grassroots distribution lists and got copies of all materials provided in preparation for, and as a result of, these meetings and public events.

The Case. The city, organized as a mill town, no longer had factories; instead, it had empty buildings and rundown neighborhoods, with rows of empty houses. Real estate prices had gone down and businesses had closed. For many, the city had lost its soul and state intervention was needed to get the city back on track. Yet, for artists and artisans, it became an affordable haven of opportunities.

Large nineteenth-century factory buildings, with high ceilings and eight-foot high windows, allowed plenty of sunlight and the gutted quarters provided enough room to fit sculpting studios, woodcarving shops, and ceramic and glass ovens. City zoning ordinances and state factory codes allowed for materials to be stored and art shops to be run. In short, the physical space presented the ideal infrastructure and the right price for artists' and artisans' studios. Likewise, grassroots performing arts found local spaces among the empty neighborhoods to practice and do public presentations. Traditional ballet studios and art schools were not far behind, as they found an opportunity to do business there, too. The excess of empty space in these buildings—and around the city—allowed for multiple partitions and close social relationships, which evolved into large artist and artisan communities under the same roof and/or in close spatial proximity, as this is a relatively small city with a high urban concentration (social embeddedness). As a result, some of these entrepreneurial relationships flourished into entrepreneurial ventures (organizations) with economic and noneconomic goals (economic and noneconomic driven entrepreneurship).

In the year 2000, local people outside the art and artisan network started noticing artists and artisans, not because they were more in number but because these individuals and their organizing had started to have a direct economic impact on the city's processes, as their work was being portrayed in national media (e.g., Hagan, 2000). Simultaneously, a series of entrepreneurial (grassroots) activities, such as the Windows Project in which artists used businesses' front windows as art galleries, sprang up around the city, shaping a new local reality anchored in the arts. These activities reflected both the local social and economic renaissance and the artists' and artisans' agenda to make art "part of the daily life […] and to put it out of the museum" (former Windows Project Coordinator and Chairwoman of the local Cultural Council). These activities, and their impact on the local social milieu, provided individual artists and artisans with a sense of city ownership as part of their identity and prompted purpose-driven participation on their part in shaping the city. This self-awareness was reinforced by perceptions of power, purpose, and unity invested in the collective by members of the wider community, who considered the artists and artisans an enacting force and part of their local "normality."

All of this came to a high with the city formally sponsoring a grant application to create a nonprofit arts organization to not only serve all local artists and artisans but also register them so their entrepreneurial ventures and actions could then be institutionalized, promoted, and counted. The organization came into being, formalized many casually formed art collectives, and promoted noneconomic and economic driven organizings, such as art communes, collective marketing campaigns, collaborative projects, subcontracting, etc. Nevertheless, this city-wide, "official" venture did not create the new arts-related organizations nor did it make more stable already existing relationships or force economic goals where there were none. The newly formed nonprofit represented an official lens through which to see the local organizing of the arts, as it recognized the arts industry as the local milieu and provided the framework to explain local entrepreneuring (i.e., the enactment of entrepreneurship) (Johannisson, 2011; Steyaert, 2007). Yet, the only thing that the new nonprofit arts organization did was record the already ongoing outcome of many years of socioeconomic entrepreneurial processes within the community.

Artists and artisans in close geographical proximity around the city had, over the years, developed social and economic relationships. As a bookbinder, with more than 20 years residence in one of the buildings, put it: "You work hard at odd hours. You keep bumping in the hallways with the same people. Why not just take a break and talk for five minutes? Ideas and projects come, you know, just by talking to others. And you make friends with them." As these casual encounters became more frequent, they became regular meetings where ideas were discussed and collaborations were established. As a local artist explains: "I wanted something similar to the feeling that I'd had in college—a lot of studios with artists working in different media. In school, there was such energy around me, and a lot of nice people with dedication to work of a certain quality." This comment does not come from a small, struggling artist but from a well-known lamp maker. As she was always backed up with orders from galleries nationwide, she had expanded her studio from 800 to 5,000 square feet in 2000 and had hired several locals and apprentices to satisfy the demand for her lamps.

This organizing and developing of relationships fosters learning that, in turn, empowers new entrepreneurs and fuels entrepreneurship beyond the economic straight jacket. Another artist, a former employee and apprentice of the lamp maker, compares the ambience as "similar to being at graduate school." Working with such prominent artists as the lamp maker, she notes, has enabled her to expand and explore her skills and limits. People come in and out of each other's studios with questions and comments so that the city has become an ongoing, creative, learning experience, constantly fueling entrepreneurship endeavors. She now has her own successful studio in the city and maintains good relations with her friend and former employer. The local social milieu can be explained as presenting the community as a place where people do not ask "can we do it?" but "how do we do it?"

Another organizing practice in this local network is exemplified by the cabinet and furniture maker and wood sculptor community. A current, widely recognized furniture maker known for his trademark was not always a well-established artist. Early on in his career, he was just an aspiring entrepreneur. When he came to the home of the largest woodworker community in the city, he was a young artist anxious to launch his career and work alongside talented, high-caliber people. However, he did not have an established reputation nor did he own any equipment or have the funds to buy it. Nevertheless, the local communal spirit was on his side. Three artists in the building were renting workspace in their machine room. This "sealed his fate" and made it possible for him to work, sell and build up savings to be on his own, but not alone, as he never left the building. He liked it there because "It's like continuing education. You can walk down the hall and ask a question and get three different answers. There is a tremendous amount of camaraderie here." In fact, this spirit and its creative effects on the members of this community were described by a glass artist as a "cross-pollination of ideas," a perfect place to nurture entrepreneurship.

However, this networking scenario is anything but ideal. These dynamics and interactions did not come without conflict and struggle in forms that disrupt the organizing as easily as it happens. By way of a direct example, while the networking spirit fueling the entrepreneurial ambience is present within each of the three buildings housing the art communities, it does not easily cross to the communities in the other buildings. While constant efforts are made by key individuals to link the building communities, these endeavors have not been truly successful. A case in point is the open studios biannual sale. This event was started at one of the three building communities as a way to create a single organization to promote members' work, taking advantage of a collective effort rather than have to struggle as individuals. As time went by, artists and artisans from the other two building communities, along with some of the artists spread across the city, joined this event in order to take advantage of its momentum and marketing. A couple of years later, a growing dispute based on ownership of the annual sale idea and shared duties to support it came into the picture and what was once a common project across all artists and artisans in the city became isolated sales days by each one of the three buildings. Although this disrupted the homogeneity of the artist and artisan community and broke apart the city-wide marketing organizing, it did not dislocate the local working network, since people across communities continued to collaborate and undertake joint projects at the individual level. The economic driven entrepreneuring network was broken, yet the social entrepreneuring network was still present and working. This change served to highlight the economic bias when seeking for entrepreneuring activities; to the casual observer, the organization was no longer operating and the city was in trouble, which was not the case. This was a moment of redefinition of entrepreneurial purposes and priorities.

This may sound like a perfect place to live in if you are an artist or artisan, however, the socioeconomic environment discussed above is coming into conflict with the local physical environment (economic growth and social stability brings more population and gentrification) and this, in turn, brings socioeconomic conflict (social cliques and power dissonances disrupting the status quo). Since it was residents who started the city's renewal, the open spaces were targeted for some of the new housing projects, thus reducing the outdoor recreational facilities that attracted artists and artisans in the first place. Furthermore, as the real estate demand has increased, there are increasing signs of local gentrification. New artists and artisans are looking to have a local address because national curators and art exhibits are scouting the area, which has reduced studio availability and brought a new, more self-centered mentality into the networks, disrupting the original communal locus. Local old timers from before the arts and crafts boom felt threatened by these economic driven changes and sought comfort in hope of an industrial rebirth to restore the pre-arts social order. Projects for an industrial corridor have been presented and approved by the local Industrial Planning Board, while the recent arrival of a big-box store in the community threatens old establishments through low prices and standardized products and services. Likewise, the ongoing use of available spaces around the city as locations for the arts and related ventures blocked the possibility for any competing venture not associated with or serving the arts to emerge, thus locking in the city's milieu as an arts place for the time being. Entrepreneuring driven by social interests has brought economic change as an unexpected consequence. Yet, social change has disturbed the local status quo, awakening entrepreneurial efforts using economic drives to restore the old social structure.

Discussion

In this article, we argue that entrepreneurs frame their actions according to their understandings of the purpose of their venture; thus, researchers need to match their framework to study such ventures properly. Entrepreneurs with a rationalistic perspective will manage their venture as an economic unit or production function, while entrepreneurs with a socioeconomic understanding will focus their efforts on orchestrating, to a higher or lesser degree, all the stakeholders' interests. This is reflected in the exemplar of the artist and artisan community. From the artists' and artisans' own perspectives, very few were acting under solely economic intentionality. From their views, they were enacting creativity and the economic transactions were collateral incidences of these socially embedded processes. Their entrepreneurial choices to locate in a specific site or to engage in a given process were not solely economically informed. They did not consider themselves as doing business; rather, they saw themselves engaged in a lifestyle. Exchanges of labor and materials were not always economically measured, as they were often understood as part of the social fabric of the community and not the cost of doing business. Thus, alternative currencies like reputation, trust, social capital, or knowledge were also regularly exchanged. This did not allow for outsiders to quantify or observe the transactions and relationships taking place within the community using solely economic lenses. To official eyes, there were very few arts-related businesses, even when they were already a prominent feature in the city. Quantitative data, in the form of census and economic records, did not provide enough information about the processes or reach of these businesses. Traditional views did not allow for the recording of socioeconomic processes as there were, at the beginning of the entrepreneurial processes, no organizations to document.

The rationalistic interpretations of entrepreneurship, which present entrepreneurial efforts as timeless processes of production and where uncovering of latent opportunities is assumed to be driven by economic forces, cannot help to explore the dynamics of this vibrant community of individuals and organizations, in particular its emergence. The rationalistic approach assumes the business–society relationship to exist only when entrepreneurs act as economic agents or economic forces. Thus, the socially driven entrepreneurial actions of the artists and artisans and their outcomes are, for all practical purposes, nonexistent. The use of a satisficing model cannot help much either. The understanding of relationships among entrepreneurs, and between entrepreneurs and their environment, posed in the context of economic supply-and-demand interactions was, for all practical purposes, not present in the reported data. Local organizations, as well as artists and artisans, are not self-conceived as economic agents; thus, they become invisible to theoretical and research lenses.

The use of socioeconomic approaches can improve the analysis and bring some of the noneconomic strategic choices into context with an understanding of the existence of economic outcomes as socially embedded processes. Yet, such approaches are still incomplete. While they acknowledge that artists' and artisans' lifestyles could be responsible for the social dynamics happening when they were making or implementing organizational plans, they do not clarify their mechanisms and ignore the actions that were not economic driven. Furthermore, the free exchange of knowledge, the collective local milieu, the apparent nonequivalent exchanges of resources among artists and artisans, and the artists' and artisans' constant reinvention of the space, could not always be explained as part of the traditional absent-present dichotomy that socioeconomic approaches use as a lens to capture entrepreneurship occurrences.

The discursive approach can help bring front stage the actions of the artists and artisans as strategists and entrepreneurs of their own doings. Yet, the lingering legalistic definition of the firm—as the channel for their actions—still hinders research. Individuals who cannot be recorded as economic agents and/or processes not mirroring legalistic definitions of the firm cannot be accounted for. As firms in this context are no longer production functions but communities of people with shared values or culture, interviews and discourse analysis are required to understand the local happenings and to frame the actions of entrepreneurial individuals. The organizing of individuals and their strategic engagement in collaborative relationships is the research focus. Entrepreneurship is no longer conceptualized as nested in a socioeconomic process; rather, it is the process itself. Thus, the entrepreneurial actions of artists and artisans, and not census data, become understood as the ventures. However, while individual agency becomes acknowledged as the driving force of the processual nature of entrepreneuring, individuals' motivations to associate or to network are still not present as causalities of the processes defined as entrepreneuring, hence leaving them undertheorized. Likewise, the presence of a location as a context for the discourse is not considered either.

The use of temporal coalitions as research lenses acknowledges the intentionality behind the artists' and artisans' actions. As such, the temporary pooling of competencies, skills, and assets to exploit a commercial opportunity for personal wealth creation became relevant. Artists and artisans identified through ethnographic work and interviews as enacting local coalitions become recognized and their strategic actions documented as part of a socioeconomic system that is, to a greater or lesser extent, local in its orientation. The links among artists and artisans that foster organizing become acknowledged and defined by the time and place specificity of the entrepreneurial opportunities, as well as the personal gain attained through the joined efforts. However, the influence that social space has in the actions of the actors (e.g., propinquity, paths of transit, etc.) cannot be explored. Furthermore, this research perspective still ignores the geographical characteristics of the space where each process takes place.

In an effort to address human actions such as entrepreneurial processes in the context of their spatiality, researchers in the field of New Economic Geography have developed a novel conceptualization, which describes all organizations as purpose driven, geographically influenced, networks of processes contingently constituted by the ongoing collective outcome of individuals conducting everyday actions (Gibson-Graham, 1996; Yeung, 2005). Individuals are acknowledged as socioeconomic agents and the effects of geography over their actions are taken into account. Thus, the actions of artists and artisans may become explained by the intentionality behind them, as well as by their reach and the resources available, including the geography where they take place.

Conclusions

Our article complements scholarship on entrepreneurship, as it proposes that entrepreneurship can be understood as a social process immersed in power struggles and conflict, rather than as a present/absent dichotomy. Furthermore, we advance that spatial proximity (or lack of it) must be considered relevant and, thus, should be addressed as part of the entrepreneurial context itself.

Entrepreneuring is a complex process that affects not only the enactors but also members of the community where the enactors are hosted. As such, we suggest that local history, social networks, and environment should be taken into account. Likewise, the understanding of what is entrepreneurship becomes questioned, as the venture is presented not solely as an economic agent but as a geographically embedded collective, subject to rules of reciprocity constantly enacting and disrupting conceptions of normality. Exploring entrepreneuring in the context of local history, social networks, and environment suggests that, while ventures may be sustainable, they may not be self-sustainable, as they are not isolated phenomena but relational processes affected by local happenings (Yeung, 1998).

In all, entrepreneurship is not a present or absent economic dichotomy; it is neither devoid of social context nor is it an organizing process independent of the firm. Rather, entrepreneurship is a geographically bound relational process resulting from the everyday actions of individuals in pursuit of personal goals, often defined as lifestyle choices. Thus, entrepreneuring is part and parcel of the socioeconomic context where it takes place and is influenced by the personal choices of the entrepreneur.

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