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Why Startups Are Ideal Laboratories for Studying Organizations

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Startups make organizational change easier to observe. Researchers can watch new ventures experiment, compete, adapt, survive or fail without the complexity found in large corporations.

When I attend entrepreneurship conferences or give talks at business schools, I'm often asked why an organizational sociologist has an interest in entrepreneurship. I once had a hard time answering them, but I eventually developed an answer. Recently I expanded on that answer in an interview conducted by Cornell University Center for the Study of Economy and Society(https://www.economyandsociety.org) .

Many of the phenomena that interest organization scholars are actually much easier to study in an entrepreneurial context, where things are fresh, new and small. In large corporate settings, researchers are often overwhelmed by complexity and find it very hard to pin down what is happening.

By contrast, start-ups constitute an instant organizational laboratory with thousands of replications every day. Moreover, the selection logic forming the theoretical core of evolutionary theory shows itself every day as new ventures form and disband.

I use an evolutionary approach in my organization studies because I find it a very helpful framework for approaching the study of entrepreneurship. It is an overarching framework permitting comparison and integration of other social scientific theories.

As a metatheory, it encompasses theories as diverse as population ecology (Hannan and Freeman 1989), new institutionalism (Scott 2008), resource dependence (Pfeffer and Salancik 1978) and transaction cost economics (Williamson 1994). At the heart of evolutionary thinking is the assumption that a struggle by entrepreneurs and organizations to obtain scarce resources, both social and physical, drives evolutionary processes (Aldrich and Ruef 2006). Competition among social actors shapes the struggle to obtain resources ahead of competitors or to avoid competition altogether.

In fact, the primary motivation of many entrepreneurial activities, from marketing to inter-organizational alliances, arises from organizations' attempts to shield themselves from competitive pressures.

Evolutionary accounts rest on identifying the selecting forces that interact with particular variations to produce organizational and population change. Compared to person-centric accounts, selection arguments can seem maddeningly indirect and impersonal.

Perhaps the most difficult premise to convey is that selection derives from the consequences of actions, not the intentions of actors. Individual differences across actors are clearly still important, as some people are more highly skilled than others at judging, envisioning and reshaping selection environments. Nonetheless, the consequences of action are what count. Because entrepreneurship researchers often overlook this feature of evolutionary models, it bears repeating.

Competitive struggles drive entrepreneurs and organizations to create new strategies, routines and structural elements; to select those elements that prove effective; and to copy or extend those selected elements to other areas. Some of these new elements may require cooperation with other organizations.

Therefore, the dynamics of interactions between organizations and their environments include the processes of variation, selection and retention. Variations in strategies and structures that give units at these levels advantages in extracting resources from their environments will be objects of positive selection.

New types of organizations and organizational forms may emerge when entrepreneurs respond to specific threats and opportunities in their environments;

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organizations that are efficient at taking advantage of those opportunities and countering those threats tend to survive and be imitated by existing organizations or new entrants.

This whole process is simply much easier to observe when you are looking at new ventures, where thousands of experimental trials occur every month and documentation of their activities is constantly improving.

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