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David Goss

ABSTRACT

This article offers an alternative to the dominant individualistic theories of entrepreneurship. It develops Scheff's notion of the deference-emotion system to propose a theory of entrepreneurial conduct that emphasizes social interaction and emotion. This theory proposes that the emotions of pride and shame, produced by the giving and withholding of deference, can motivate action that resists the innovation-inhibiting effect of social sanctions. By suggesting a social basis for the generation and reproduction of entrepreneurial conduct, it is able to explain the frequently volatile and inconsistent nature of this conduct, an important dimension of entrepreneurial behaviour that, whilst recognized empirically, normally escapes theoretical attention. The article advocates making social situations rather than individuals the analytical starting point for fresh and potentially valuable insights into the nature of entrepreneurial behaviour.

KEYWORDS

emotions ■ entrepreneurship ■ interaction ■ pride ■ shame

Introduction

Investigations of entrepreneurial behaviour are dominated, in broad theoretical terms, by an individualistic orientation, by which we mean a tendency to take the entrepreneur, endowed with a set of essential individual powers, as the analytical starting point and focus of attention. This has led to conceptions of the entrepreneur as a rational decision-maker, as a distinct

personality type, and, most recently, as a site of cognitive biases (e.g. Chell et al., 1991; Baron, 1998, 2004; Frese et al., 2000; Mitchell et al., 2002). Sociologically such perspectives often appear 'thin' and one-dimensional. By making the entrepreneur the basic unit of analysis and treating entrepreneurial abilities as an essential property of the individual, they tend to render the world beyond – including other people – either passive or invisible (for a detailed critique of this orthodoxy, see Zafirovski, 1999). This article proposes an alternative to the individualistic perspective by offering a theorization of entrepreneurial conduct that places social interaction at its centre. A re-evaluation of Schumpeter's classic (1934) account of entrepreneurship makes the case for a micro-sociological analysis of this phenomenon focusing on the tension between innovation and social sanctioning. This leads to a development of Thomas Scheff's notion of the 'deference-emotion system' as the basis for a theory of innovation-conformity that is then applied to the case of entrepreneurial business conduct.

A cursory examination of entrepreneurs' biographies and autobiographies easily attests to the partial nature of many individualistic approaches (see, for example, Bower, 1988, 1993, 2001a, 2001b). Such works frequently convey a sense of sociality, volatility, and emotionality missing from those academic studies restricting themselves to the workings of the entrepreneur's 'inner world'. Scientific explanation must simplify, but as Barnes (1995: 61) points out, 'Social theory needs at all times to keep in touch with the states of affairs it purports to describe or explain'. In the case of entrepreneurship, these states of affairs are not to be found 'within' the individual entrepreneur, but in the *situations* and *encounters* 'where "the solid buildings of the social world" are in fact constructed' (Burns, 1992: 380; see also Katz, 1999; Collins, 2004).

Orientating so strongly towards the individual has resulted in entrepreneurial theory's neglect of a crucial dimension of human experience – that associated with 'the meaning, experiential content and behavioural consequences of the primary condition of "being with others"' (Bauman, 1989: 179). This missing dimension – *the 'social'* – involves intersubjectivity and interaction and its analysis has been the preserve of interactionist and micro-sociological theory. 'Society' is comprehended as constructed from series of interactions between individuals who, because of their innate capacity for sociability and symbolic communication, 'routinely, as a matter of course, [causally] affect each others' actions in their encounters' (Barnes, 2000: 2). The result of such 'mutual susceptibility' is to render individuals interdependent rather than independent and to provide the basis for the collective action through which social order is consolidated:

mutually susceptible individuals can affect each other's understanding so that a shared definition of their situation is sustained; they can identify (collectively) beneficial courses of action in that situation and give them recognition as norms; and they can press each other toward enacting such norms through symbolic communication that threatens or enhances 'face' or 'dignity'.

(Barnes, 1995: 77)

By failing to give cognizance to the social, individualist approaches offer partial accounts of the empirical scope of entrepreneurial action and restrict explanatory opportunities. One of the most notable omissions is the role of emotion which, despite its growing significance in other areas of organizational theory, has made virtually no impact within the field of entrepreneurship (Lupton, 1998; Fineman, 2000, 2003; Barbalet, 2002). Here Hochschild's words of over a decade ago still ring true: 'To the extent that emotion enters in at all, . . . it appear[s] in idiosyncratic and non-routine ways, . . . [as] disruptive not constitutive in its consequence, and . . . [as] basically marginal, not central, to life at work' (Hochschild, 1993: ix).

Interactionist theory, in contrast, has been inclined to view emotions as an inherent component of social relationships (rather than an individual anomaly), strongly implicated in shaping experience and conduct. Thus:

Here is the very dynamism of social interaction and social relationships, in the emotion . . . Emotion is provoked by circumstance and is experienced as a transformation of dispositions to act. It is through the subject's active exchange with others that emotional experience is both stimulated in the actor, and orientating of their conduct.

(Barbalet, 2002: 4)

As will be discussed more fully below, a central interest of interactionist and microsociological theories has been emotion's implications for the maintenance of social order (Kempner, 1978; Scheff, 1990; Barbalet, 2002; Collins, 2004). And here there is a point of contact with one of entrepreneurship's most insightful thinkers. Schumpeter's (1934) classic account of the entrepreneurial process is still widely regarded, but is all too often misrepresented as a celebration of economic heroism – an interpretation entirely consistent with individualism's prominence within the field. However, a return to Schumpeter's original formulation reveals a very different problematic, one that points towards the centrality of social rather than individual processes. As a means of orienting this article's argument,

Schumpeter's conception of entrepreneurial action is, thus, a useful starting point. First, it offers a restricted definition of entrepreneurship, namely, as innovative activity that deploys 'new combinations' of economic resources to yield a profit, a precondition of which is the need to break social conventions and disrupt established routines (Collins, 1986). This latter identifies entrepreneurship as a sociologically relevant concept, that is, concerned with the nature of social conformity and deviance, in contrast to its common and unwieldy use as a portmanteau term for anything vaguely connected with small-scale enterprise. Second, Schumpeter's emphasis on the interplay of 'social circumstances' and individual motivation draws attention to the volatile, disjointed, and contingent nature of entrepreneurial activity. This dynamism is readily recognized empirically (in entrepreneurs' changing fortunes, market entries and exits, successes and failures) but is seldom captured convincingly when entrepreneurship is reduced to an essential individual power. Dynamic and changing social processes are, however, grist to the micro-sociological mill.

At the centre of Schumpeter's theory is a conception of social order resting upon the constraints of routine, habit and social sanction (actual or anticipated). These act to regulate behaviour, in this case limiting individuals' propensity to engage in 'deviant' innovative action:

[there is] the reaction of the social environment against one who wishes to do something new. This reaction may manifest itself first of all in the existence of legal or political impediments. But neglecting this, any deviating conduct by a member of a social group is condemned, though in greatly varying degrees according as the social group is used to such conduct or not . . . Even mere astonishment at the deviation, even merely noticing it, exercises a pressure on the individual . . .

(Schumpeter, 1934: 86–7)

But such control is never total and Schumpeter casts the entrepreneur firmly in the deviant's role: 'Surmounting this opposition is always a special kind of *task* which does not exist in the customary course of life, a task which also requires a special kind of *conduct*' (Schumpeter, 1934: 86–7; emphasis added; note that the reference is to 'task' and 'conduct' and not 'personality', as usually assumed in individualistic accounts).¹ Even when considering the entrepreneur's motivation a strong sociological flavour remains. The first of Schumpeter's three entrepreneurial motives, the 'dream and will to found a private kingdom', concerns gaining and losing social status; the second, the 'will to conquer', is about 'social ambition' and demonstrating social superiority; only 'the joy of creating' comes close to being a purely intrinsic

motive and, even here, it is arguable that a crucial component of joy derives from the approval and admiration of others (see Goss, 2005).

Schumpeter provides no detailed analytical account of these processes, but it is clear that the 'conduct' constituting them must operate socially, through encounters and interaction. The following section lays the foundations for a theory of entrepreneurship that places 'the social' at its very heart.

Interaction, emotion and the social

Thomas Scheff's substantial contributions to the explication of micro-sociological analysis, particularly his notion of a 'deference-emotion system', provide a useful foundation upon which to build a socially oriented theory of entrepreneurial action. Scheff's (1990) notion of the 'deference-emotion system' proposes a causal link between social interaction and individual emotional responses. Interacting individuals monitor the evaluations fed back, often implicitly, through the communications of others, thereby assessing the extent of the deference being extended. This feedback generates within the individual a range of emotional states: high levels of deference and positive evaluations engender pride, loss of deference and negative evaluations, shame. States of pride evoke pleasure and are desired, whereas the pain occasioned by shame is avoided. In this way the emotional experiences generated through interaction produce motivated action that 'feeds in' to subsequent encounters. For Scheff, the deference-emotion system operates 'both between and within interactants' (1990: 76), modulating individual action and, thereby, providing a pervasive system of social control – the parallels with Schumpeter's formulation, above, are obvious.²

The deference-emotion system's modulating effect, however, depends upon individuals' ability to balance, acknowledge and discharge shame and pride. Shame can be discharged through some form of reparation (e.g. apology, contrition). If accepted by the relevant others, this paves the way for the shamed individual's reintegration with the wider group, their conformity eventually rewarded with pride-inducing deference. By the same token, when a group defers to a member, there is an expectation that the resulting feeling of pride will be acknowledged and, in the acknowledgement, recognition be given to the 'generosity' of those whose actions bestowed it. For most members, displays of pride are held in check by the awareness that immodesty will be a source of shame (Goffman, 1967). Thus: deviance is sanctioned-against by the withdrawal of deference, thereby inducing shame; acknowledged shame is repaired by pride-inducing deference;³ pride is held in check by sensitivity to shame; the result is social order.

However, Scheff's theory also implies the potential for order-disruption. In some situations shame arising from deference-withdrawal does not lead to acknowledgement and discharge. Rather, such acknowledgement is repressed or resisted by the individual and the shame is denied – a response that is usually associated with a pattern of disrupted or fractured social bonds (1997). One such pattern involves the 'bypassing' of shame: the negative evaluations of others are experienced, but their painful emotional effects are externalized and redirected away from the self, usually via a combination of hyperactivity and self-righteous anger/fury.⁴ Others' lack of deference is perceived, but is regarded as unwarranted and undeserved. In such cases the emotional pain of rejection is focused and concentrated, as if through a lens, on to actions that will 'compensate' for the feeling of being unjustly shamed. As there is no acknowledgement that the felt shame reflects a genuine failing of the self, this hyperactive 'compensation' can assume a highly combative form as energy is diverted into actions designed to demonstrate superiority and to put the self beyond criticism (Nathanson, 1987; Jacoby, 1996; Gilbert, 1998):

feelings of self-righteous anger can help the shamed person to regain some sense of agency and control. Anger is an emotion of potency and authority. In contrast shame is an emotion of the worthless, the ineffective. Thus by redirecting hostility, by turning their anger outward, shamed individuals become angry instead, reactivating and bolstering the self.

(Tangney & Dearing, 2002: 93–4)

This pattern has the potential to become self-sustaining. Those at whom the aggression is directed are likely to be either cowed, or awed, into submission ('success' encourages repetition), or they may retaliate with reciprocal hostility (confirming that aggression was warranted). Such energetic striving for dominance could easily attract a following, especially amongst those who share the sense of being wrongly shamed, or who perceive that it is opportune to side with a strong aggressor. Nevertheless, the bypassing of shame distances the individual from the pride-generating deference that would secure re-integration with the original group: opposing convention becomes a form of defiance, a rejection of the rejecters. It thus creates the potential for spirals of social conflict in which an individual or group strives to dominate and revenge themselves upon those identified as responsible for causing their emotional pain. These may range from cycles of hostility and vengeance on the scale of wars between nations (Scheff, 1994, 1997), to less spectacular, but no less determined, sequences of deviant action undertaken

by small groups or individuals. In the following section we will contend that entrepreneurship is one manifestation of the latter within economic and occupational situations.

Unlike shame, the literature dealing with pride is limited, and the following elaboration must be regarded as tentative. Reasoning by analogy, we suggest that an individual's failure to acknowledge the socially acceptable limits on pride displays (i.e. not feeling shame when being immodest) will have potentially disruptive effects (see Jacoby, 1996; Gilbert, 1998; Bloch, 2002). Such pride-imbalance is likely to originate within a context where others, such as family members, reinforce actions positively, consistently, and largely indiscriminately, whilst making very limited use of shaming as a disciplinary technique (Scheff, 1990).

With repetition, such a system could create an environment where individuals exposed to such deference experience a strong underlying security and confidence in their conduct and, because of the absence of shaming, have little fear of failure or censure. Because shame's modulating effect is reduced, there is likely to be an escalation rather than a moderation of pride displays and an inclination to break conventions, both as a means of attracting attention (and the prospect of deference) and removing any restraint on personal ambition; in everyday language, individuals displaying such immodesty are commonly referred to as 'having no shame'. When undertaken with flamboyant self-confidence, such deviance can often appear exciting and attractive to others (Nathanson, 1987; Scheff, 2003). It is probable that those who interact on the basis of 'unbalanced pride' (as we can term this deference-emotion configuration) will have little difficulty finding followers who, at least in the short-term, will provide the deference necessary to sustain their leader's charisma. As Weber (1978) pointed out:

The mere fact of recognizing the personal mission of a charismatic master establishes his power. Whether it is more active or passive, this recognition derives from the surrender of the faithful to the extraordinary and unheard-of, to what is alien to all regulation and tradition . . . surrender which arises from distress or enthusiasm.

(1978: 1115)

But Weber also maintained that the charismatic leader's success rests upon his ability to continue to impress and excite his followers; when their deference wanes so too does his power. One consequence of deference's fickle nature may be to encourage those motivated by unbalanced pride to adopt an intense but restless pattern of interaction, constantly seeking out new and impressionable audiences (to avoid eventual rejection). Rather than war-like

spirals of revenge and domination, unbalanced pride points towards spirals of proselytization and 'conversion' whereby individuals exchange deference to a dynamic leader for a share of the excitement offered by an innovative project.

The bypassed shame and unbalanced pride constructs are premised on a shame-inhibition that, depending upon the social context (i.e. whether deference is consistently given or withheld), will encourage strongly divergent patterns of (inter)action. It follows that, in response to their perceived success or failure within social encounters, this common foundation could create the possibility for dramatic swings between them.

Nathanson (1987) gives an interesting account of this type of pattern (which he terms 'bipolar disorder' or hypomania), linking it to the affect 'interest-excitement' which, like pride, is kept in check under normal conditions by the awareness of shame. In the bipolar condition, however, this anticipatory modulation of interest-excitement fails, resulting in intense interactional engagements that can rapidly, and apparently unpredictably, 'flip' into a state of aggressive rage:

The dependence of attachment on interest, as the binding affect that holds together the involved dyad, explains the ease with which the hypomanic is able to penetrate the personal space of strangers. It is rare for someone to act truly interested in us; the intensely experienced and unabashed broadcast interest that characterises the interpersonal behaviour of the hypomanic makes the patient charismatic . . . [This] breaches the empathic wall of the normal person, transforming hypomanic excitement into . . . shared enthusiasm . . . [But] The quarrelsomeness and tendency towards anger that occurs whenever the hypomanic person feels thwarted . . . derive from the equation of shame with halted interest. Manic anger is humiliated fury.

(Nathanson, 1987: 54–5)

As described by Nathanson, the conduct associated with the affect interest-excitement appears to share a close similarity with the deference-seeking behaviour that we have attributed to unbalanced pride and, by the same token, 'halted interest' could be seen as equivalent to the perceived denial of deference. Thus, we might imagine a sequence where, driven by bypassed shame, an individual's aggressive striving for 'compensation' succeeds in winning deference from others – whether as the result of fear, or self-interested awe. However, shame-inhibition means that the resulting feelings of pride are not moderated and are therefore experienced in unbalanced form. In consequence, ever more pride-inducing deference is demanded and,

when this appears to be withheld, it triggers a reversion to bypassed shame and outbursts of anger and aggression. In this respect, neither bypassed shame nor unbalanced pride would be likely to produce long-term modes of interaction conducive to stability and order. Whether alone, or in dynamic combination, they will tend to encourage deviance and, if successful in finding support, potentially sustained innovation.⁵

Shame, pride and the entrepreneur

We begin by examining how the interaction-emotion patterns outlined above might 'mesh' with the situations routinely available in the world of work and occupations. This we can think of as a form of 'push-pull mechanism'. On one side, employee roles repel because of their inherent requirement for subordination to a higher power, creating the possibility of deference-denial (e.g. humiliation) by superiors, and constraints upon deference-generating conduct imposed by formal role responsibilities. On the other, business ownership attracts for precisely the opposite reasons: opportunities to control others' displays of deference, and the scope to engage in comparatively unconstrained deference-demanding action.

Consider first conventional employment's 'push-effect' on bypassed shame. A propensity to bypass shame implies that an individual's sensitivity to the status dimensions of interaction will be acute, especially the prospect of 'losing face'. Pre-emptive aggression and competitiveness offer a means of dominating situations and, thus, controlling the threat of being 'discredited' (Goffman, 1963). The range of situations where such a strategy can succeed, however, is likely to be limited, particularly in the occupational realm. Here, for instance, the role of employee locates an individual within a formal hierarchy of superiority and inferiority – usually towards the latter. In most employment contexts employees, especially in junior positions, have little or no direct control over superiors' actions towards them (Smith, 2001; also Vanheule et al., 2003). Where an individual's mode of interaction is already geared towards bypassing shame, such subordination is likely to evoke feelings of injustice and a constant fear of being exposed to superiors' non-deferential behaviour (Kets de Vries, 1996). By the same token, recourse to bypassed shame's habitual forms of self-protection – aggressive hyper-competitiveness – is generally restricted within formal hierarchies, deemed incompatible with subordinate positions or inappropriate to professional roles. Its expression is likely to invoke deference-withdrawal and expulsion from the organization, thereby fuelling the cycle of compensatory aggression.

Running one's own business, in contrast, confers rights of power and

control over people and resources normally unavailable to an employee. Specifically, it promises the possibility of a world where others' deference displays can be regulated (at least in face-to-face interaction; Bower, 2001b). It is the employer's prerogative to reward and punish demonstrations of (dis)respect – with limited fear of retribution (Kets de Vries, 1996). Similarly, controlling a business limits dependence on others (at least as a source of employment).⁶ In particular, it removes the need for unwilling participation, as an inferior, in others' power and status rituals, such as displays of respect and deference to superiors, having to obey orders, etc. (Collins, 2004). This would seem to be well illustrated by a story about the tycoon Roland 'Tiny' Rowland, originally called Roland Fuhrhop, who is claimed to have chosen a phonetically identical surname to avoid the indignity of ever being summoned merely by the latter, a signifier of social inferiority in post-war Britain (Bower, 1993).

This formulation recasts the notion of *nAch* ('need for achievement'; McClelland & Winter, 1969), frequently used to explain entrepreneurs' aversion to conventional employment and their attraction to business venturing. *nAch*'s normal treatment is as a component of the entrepreneurial personality that drives individuals autonomously to seek situations where they have the prospect of achievement satisfaction. The theory proposed here reverses this causal relationship. It is the nature of social situations – specifically their deference-generating/denying interactions – that gives rise to achievement-oriented patterns of conduct, motivated, in this case, by the desire for shame-compensation. Such motivation is mediated through the individual's inner experience of shame, but originates within social interaction and is articulated in their subsequent disposition to (inter)act. The association between entrepreneurship and achievement orientation is explained, not by recourse to an individual's essential power, but by reference to social context. This shift of focus offers scope for broadening the understanding of achievement orientated conduct, especially its volatility and variability within the same individual, more of which below.

There are numerous examples of entrepreneurs whose drive for extraordinarily high levels of achievement appear rooted in attempts to redeem what they regard as an unjustly attributed inferior social status (Bower, 1988, 1993, 2001a, 2001b; Brockes, 2000). For instance, much in the biography of Robert Maxwell suggests that both his extraordinary work-rate and obsession to build a business empire, reflected his desire to be recognized by the British political elite, whose rebuffs he attributed to a combination of class, racial and religious prejudice⁷ (Bower, 1988; see also Mohamed Fayed's battle to acquire the highly socially symbolic London Harrods store, Bower, 2001b). In less extreme form, entrepreneurial achievement might be expected

to represent a means of compensation especially attractive to those whose educational failure leads them to regard conventional employment opportunities as unappealing because of their similarity to the shame-inducing 'disciplines' of school (Davies, 2002). Starting a business could be perceived as offering an escape from such humiliation, a vehicle to prove one's real ability, and an opportunity to 'reject the rejecters' in a highly visible way. This may also account for the apparently high proportion of entrepreneurs who are dyslexic (Logan, 2002; Flanagan, 2003). Bypassed shame's motivation to compensate via competitive victory is likely to encourage innovation – as a means of out-performing competitors and winning without having to submit to the 'enemy's' rules.

A similar pattern of social causality could explain risk-taking propensity, another entrepreneurial disposition conventionally treated as an essential individual power (for review, see Delmar, 2000). Caught up in a mode of interaction informed by bypassed shame, an overriding concern with 'losing face' may encourage either incautious risk-taking (not wishing to be seen to be afraid) or apparently bloody-minded intransigence and a refusal to compromise (not wishing to be perceived as weak), even when the risk of failure is clear. In many situations such behaviours are likely to be socially unproductive, but when pursued with relentless aggression under relatively free market conditions, they can, with some measure of good luck, prove effective (Brockes, 2000). That market situations allow such conduct may be part of their attraction for those committed to this pattern of interaction. Business venturing offers an environment where aggression and anger can be given more free rein than in most other areas of society, and entrepreneurs frequently deploy metaphors of warfare, combat and hunting to depict their activity (see, for example, Gregory, 1996). Kets de Vries (1996) for instance, provides an example of an entrepreneur who appeared to regard his business as an opportunity (both as fantasy and reality) to ruin and humiliate competitors as a means of extracting literal and symbolic compensation for deference denied.

The push away from conventional employment and the pull towards business ownership is also a likely consequence of the interaction patterns associated with unbalanced pride, although for different reasons. Unbalanced pride's mode of interaction would emphasize self-confident experimentation, risk-taking, and energetic competitiveness, and be expected to develop within groups (such as a family) where almost all conduct is greeted with praise and admiration – even that which, outside the group, would be regarded as more or less shameful. This type of deference-overload is unlikely to be easily replicated beyond such local contexts, especially in the world of formal organization and occupations where, in general, routine takes precedence over

innovation, conformity over experimentation, obedience over risk-taking, and loyalty over daring. The employee's workaday disciplines of impersonal duty, timeserving, and self-sacrifice are unlikely to mesh smoothly with unbalanced pride's demand to exercise deference-winning 'individuality'.

Founding a business promises a situation where pride-fuelled hyperactivity is fully exploitable, as the direction, risks, and responsibilities of conduct can be effectively monopolized by the business owner alone (Goss, 1991). This assertion has a superficial similarity with the notion of *nAut* (need for autonomy; McClelland, 1975; Harrell & Alpert, 1979), conventionally a synonym for individualism and, in the entrepreneurial context, usually equated with hostility towards external control and a strong commitment to individual freedom. The theory developed here, however, treats individuals as interdependent rather than independent and 'autonomy' therefore refers to a particular *state* of a social relationship, rather than to its absence. Creating a business is not merely the realization of an individual need; it is the (re)construction of a pattern of social interactions with the potential to release the emotional rewards of power and status. To be an employer is to be empowered to act as an order-giver, enabled to execute innovative or risky actions on a scale unavailable to most order-taking employees – and to take sole credit for the (favourable) results.

Additionally, if unbalanced pride generates enthusiastic and daring enterprising behaviour, the resulting aura of charisma is likely to encourage self-selection of followers. Interactions suffused with excitement – generated by deference-seeking innovation – are known to encourage emotional contagion (Hatfield et al., 1994), drawing in prospective employees, partners, associates, and financial backers (Hurt, 1993; Bower, 2001a). The tendency for many dynamic entrepreneurial businesses to exhibit the characteristics of charismatic social movements might thus be explicable in terms of escalating deference-pride spirals: recruits are attracted by unbalanced pride's exciting and energetic interaction style, their enthusiastic commitment provides the deference that fuels their leader's capacity to excite which, in turn, further stimulates deference production. As was suggested above, the charisma that arises from deference-pride interactions is likely to be inherently fragile, and this often appears the case with businesses developed on this basis: devotion easily turns to disillusionment (Crick, 2000; Bower, 2001a). For a pride-fuelled entrepreneur faced with a deferential deficit, however, the employer's ability to 'select' an audience – by ruthless hiring and firing – may offer another attraction, enabling the creation of a cadre of core employees prepared to deliver the deference and admiration sought (Kets de Vries, 1996; Page, 2003).

This sort of behaviour points to one of the paradoxes of entrepreneurial conduct – the apparent coexistence of charismatic charm alongside

ruthless indifference towards others. Such inconsistency is difficult to account for using individualistic concepts without recourse to the relatively unsatisfactory notions of personal idiosyncrasy and/or psychopathology. Treating entrepreneurial charisma as an inexorably social accomplishment could offer a more adequate explanation of this volatility of conduct, particularly when framed in terms of 'switching' between pride–shame dynamics.

The biographies of many entrepreneurs (especially those usually referred to as tycoons) frequently seem consistent with sudden swings between bypassed shame and unbalanced pride. The present theory is interested in examining how ongoing social processes could be implicated in this 'inconsistency', enabling it to operate as a viable component of entrepreneurial conduct when, in most other social contexts, it would be treated as dysfunctional and deeply unattractive.

Part of an answer may lie in the relational dynamics that can develop between an entrepreneur and key followers (Vecchio, 2003). Take Bower's (1993) account of the tycoon Tiny Rowland:

To the small group of insiders, Rowland's management style guaranteed constant excitement and unexpected challenges . . . it was a refreshing break from tradition. This was a rebel they adored . . . 'Leverage', a favourite Rowland expression, implied, as everyone understood, the prerequisite of Tiny's tolerance of people: they had to be susceptible to his pressure . . .

Rowland did not suffer equals easily and shunned as a potential employee anyone who might be superior . . . Rowland thirsted after admiration and attention. Those who satisfied that lust were generously rewarded . . . By the same token, he reacted wildly to any admonition. Critics discovered that, castigated as disloyal and untrustworthy, they would become targets of his emotional venom. Without explanation, courtiers and associates would be cut off.

(Bower, 1993: 106–7)

The behaviour described in Bower's account is normally dismissed as a personality flaw – hubris – but it exemplifies the switching between charm and aggression hypothesized in the foregoing theory. We have argued that bypassed shame's competitive aggression can be compatible with self-interested market behaviour and, as such, its exercise might be expected to attract a following of those who share, or aspire to, such values (and the material benefits they can bring) but who lack the necessary emotional attributes to sustain the action. Such followers would benefit vicariously from their

leader's reputation: to be known as the associate of a powerful person is to invite deference from others less well connected, even if the price is the abasement of one's self to the will of the leader. Whether 'kept in their place' by fear or self-interested awe for the leader's ruthlessness, these followers' deference stimulates (unbalanced) pride in the leader, and they, in turn, become the recipients of the charismatic charm thereby induced. This is, nevertheless, a precarious position for followers: dependence on the leader's approval renders them vulnerable to arbitrary expulsion and replacement should the latter decide their deferential offerings are insufficient (or unnecessary, if a new and more enthusiastic source of admiration has been found). In such cases, they are likely to experience the 'emotional venom' of bypassed shame unleashed by the perceived deferential deficit.

Other 'audiences', however, may first encounter such entrepreneurs in situations where charismatic charm is on offer – as they enthusiastically outline exciting business opportunities in the active search for support and admiration. Here the attraction is likely to be broader. Charm, enthusiasm and excitement are powerful attractors for most people. Following an innovative, unconventional leader offers the prospect of emotional, and other, rewards without having to take the initiative or bear the risks oneself. The exercise of charm, for instance, seems particularly effective in gaining the use of others' resources for speculative business ventures, for example, using flattery and interest to breach the potential investor's 'empathic wall' and creating for them a sense of pride that they have been 'chosen' to participate in such an opportunity. There are many accounts of experienced and cautious investors being persuaded by charismatic tycoons to invest heavily in ventures that, had they not been 'caught-up' in the emotional dynamics of the encounter, they would have rejected outright – and frequently wish they had (see, for example, Bower, 2001a). Consider, for example, the following account of Robert Maxwell's attempts to win the support of a US financial backer:

It was a whirlwind visit during which [the potential backer] Steinberg's doubts were repeatedly raised only to be quashed by the succession of glittering social occasions which Maxwell had arranged. Steinberg, the twenty-nine year old from Brooklyn, was introduced by his host to an unending procession of Britain's elite from Prime Minister Harold Wilson and other cabinet ministers . . . to Isaiah Berlin, the Duke of Bedford and Lord Hartwell.

(Bower, 1988: 223)

Such 'charm offensives' (in effect, the bestowing of deference to secure greater deference) may succeed in winning admiration and financial support

(in the form of capital or labour), but there will always be a limit to how long the spell can bind the convert. In situations where the follower becomes genuinely dependent – usually when they are made a senior employee, or allow themselves to become indebted – the exchange of unquestioning deference for position-power can be enduring (see Newby, 1978; Goss, 1991; Crick, 2000). In other situations, particularly where the follower expects, or demands, a return on their investment (whether financial or emotional), breakdown is probably inevitable. The leader is likely to interpret such 'impertinence' as a withdrawal of deference, initiating a switch to bypassed shame and displays of self-righteous anger and aggression (e.g. Bower, 1988, 2001a; Crick, 2000). Although unpleasant for their targets, when offset by rapid swings back to charm, others could perceive such outbursts as an indicator of a 'hard-nosed' business acumen underpinning the aura of charismatic excitement – thereby strengthening the reputation as a credible and serious entrepreneur. Individuals whose modes of interaction are shaped by pride–shame combinations may thus be able to secure support for innovative or unconventional ventures that, if evaluated purely on rational-instrumental grounds, would normally be denied. In this respect, the 'inconsistency of character' that troubles so many individualistic explanations of entrepreneurial behaviour is resolved. Indeed, it may be precisely this combination of charm and ruthlessness, enabled by the shame–pride dialectic, which is so well fitted to spectacular business achievements in market societies, just as it is equally well fitted to engineer spectacular collapses.

Conclusions

This article has proposed a hypothetical model of how innovative forms of entrepreneurial behaviour could be explicable in terms of social processes. The question of why, when and how some people and not others engage in entrepreneurial conduct has always been an issue of concern (Shane & Venkataraman, 2000), and most attempts to answer it have been framed in individualistic terms. Few of these have been wholly convincing. The theory developed here offers a very different way of approaching this problem. Rather than looking for entrepreneurialism as an essential property 'within' the individual, it locates entrepreneurial conduct as an outcome of the dynamics of social situations; specifically, the giving and withholding of deference which generates an emotional propensity to challenge or resist social sanctions, a precondition for sustainable innovation.

Bypassed shame, we suggested, originates with deference-denial, the perceived injustice of which transforms the resulting shame into externalized aggressive competitiveness. Unbalanced pride, in contrast, was associated

with the excessive and largely indiscriminate awarding of deference and an absence, or rejection, of shaming behaviour. The shame-inhibited modes of interaction generated through such processes would push individuals away from conventional employment and pull them towards business ownership. Their common basis in shame-inhibition provided the basis for an explanation of the innovatory but also sometimes volatile and unpredictable nature of entrepreneurial conduct, that is, as the result of rapid switches between pride–shame modes of interaction, themselves induced by the shifting deference dynamics of social situations.

From this perspective, crucial aspects of the entrepreneurial process are inherently 'social'. Interaction produces the emotion that motivates convention-breaking conduct and feeds in to further social encounters where support for innovation can be mustered and resistance to it confronted. Although this article proposes an alternative to individualistic accounts of entrepreneurship, it nevertheless shares with such accounts a profound interest in the individual entrepreneur. It does not deny that entrepreneurs, like all individuals, make use of their powers of calculative rationality in orienting their conduct – and here individualistic accounts have offered important insights. It does maintain, however, that the entrepreneur must always be regarded as an individual-in-setting (Barnes, 2000), and that a crucial part of that setting is 'other people'. On the one hand, determining how entrepreneurial biographies have been socially produced is an integral part of this theory. Individuals bring to each new encounter their past experiences of interactions and the associated motivating emotions, constituting their preferred (or habituated) mode of interaction. Understanding social biography is necessary for an adequate account of entrepreneurial conduct, but it is not sufficient. It is also necessary to detail how such modes of interaction influence other actors, and are themselves influenced, within the encounters that constitute ongoing business activity. The conceptual apparatus of the deference-emotion system appears to provide one way of exposing the significance of this 'social' dimension in the shaping of entrepreneurial conduct.

At present the theory is empirically untested⁸ but it is hoped that this article's attempt to sketch a tentative outline of entrepreneurship's social dimensions demonstrates that this is a direction worth pursuing, not least, as one means of keeping entrepreneurship theory close to the state of affairs it purports to explain.

Notes

- 1 The thrust of the approach developed here is towards a socially produced notion of 'personality'. The articulation of emotion, both cognitively (as part of an individual's 'inner dialogue') and behaviourally (as manifested in demeanour), constitutes an

important component of this production. For a detailed discussion of the social basis of personality, see Collins (2004).

- 2 An objection to Scheff's work is its concentration on only two emotions – shame and pride. This is explicable within Scheff's model because of his concern with social solidarity and his contention that these specific emotions are implicated in its generation, a view well supported in the literature (e.g. Straus, 1980; Broucek, 1991; Katz, 1999; Tangney & Dearing, 2002). Nevertheless, Scheff's usage does remain vague: he uses shame, for instance, 'as the generic name for a whole family of emotions, including embarrassment and humiliation' (1990: 74). Definitions that are more specific are available and could be made compatible with this approach. Consider Gilbert's (1998) conception of shame:

[Shame] is an inner experience of self as an unattractive social agent, under pressure to limit possible damage to self . . . It does not matter if one is rendered unattractive by one's own or other people's actions; what matters is the sense of personal unattractiveness – being in the social world as an undesired self, a self one does not wish to be. Shame is an involuntary response to an awareness that one has lost status and is devalued.

(Gilbert, 1998: 22)

By extension, pride could be defined as 'an inner experience of self as an attractive social agent – being in the social world as a desired self, a self one wishes to be. Pride is an involuntary response to an awareness that one has gained status and is valued.' Note that although these definitions begin with 'inner experience', we would choose to emphasize how this links inextricably to experience of the social world – which, ultimately, is where status is located and where its gains or losses are initiated.

- 3 The nature and expression of deference is highly variable, ranging from formal, institutionalized practices, such as award ceremonies, to subtle gestures or facial expressions. When artfully accomplished, the sincerity or otherwise of the giver's motives seem to have no direct impact on the emotional effect produced in the recipient (Goffman, 1967; Newby, 1978; Elias & Scotson, 1994).
- 4 The other main pattern, 'overt, undifferentiated shame', involves the painful emotions being internalized, creating feelings of inferiority, rejection and a tendency to 'hide', or become rigidly conformist. This seems most likely to be a phenomenon that is endogenous to a particular group, such as a family, where shame-deference dynamics take a highly particularized form (e.g. focusing on one individual who becomes a victim of the group's shaming). In contrast, bypassed shame seems more likely to be linked to inter-group dynamics, as Scheff proposes in his analysis of the causes of the First World War (1994, 1997).
- 5 Such conditions are clearly common to many social groups, not all of whose members respond by bypassing shame and externalizing it as hyperactive aggression. A key feature may be the individual's access to supportive group interactions within which the painful emotion elicited by unjust exclusion and persecution is made explicit and directed towards active resistance. Such an understanding (in effect an intertwining of cognitive and emotional dimensions) can be established at an early age, and come to constitute a part of the individual's biography. Hence, an individual may become isolated from such a network in later life but still carry its legacy as a cognitive-emotional memory. Collins's (1990, 2004) analysis of 'symbolic objects' as a means of perpetuating a group's emotional energy could provide one means of developing this issue.
- 6 Clearly, many business owners will be dependent upon capital-providers such as banks. These relationships, whilst potentially more devastating in financial terms than losing a job, tend to have an impersonal and socially 'distant' character (i.e. the formal status of a purely financial transaction between equals) – at least initially; see Branson (2000).

- 7 Maxwell was well known for his aggressive reactions to attempts to expose his origins as a Czech peasant, suggestive of bypassed shame. Whilst he may have been correct in attributing prejudice to the British elite, it is also clear that, especially when serving as a Labour MP, his own behaviour contributed to his 'outsider' status. His 'assertive', self-publicizing conduct gained him a high profile, but also antagonized many who conformed to the disciplines and hierarchies of the 'party machine', ensuring that his 'achievements' would receive little deference; see Bower (1988) and further below.
- 8 The biographical and business lines of enquiry can be approached via a common methodological commitment. Interactionist research has tended to avoid methods that 'ask subjects to point directly to the causes of their conduct, to identify the social contingencies of their behaviour, or to represent the lived meaning of their experience' (Katz, 1999: 8). Observational techniques are clearly one approach, especially valuable for gaining insight into the enactment of deference (Goffman, 1967). Capturing the experiential nature of situations and, specifically, the retrospective nature of the biographical, however, requires a different tack. Katz's (1999: 8–9) technique of recovering 'emotional behaviour enacted in face-to-face situations' via personal interviews is one possibility. This seeks *descriptions* of a subject's specific experiences (rather than generalizations and explanations): 'what they witnessed and did in time- and space-focused, sensually vivid, and socially responsive ways' (Katz, 1999: 9).

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