

Lecture2: Context

Nowadays, there is a growing recognition that entrepreneurship can be better understood within its context. However, too often context is taken for granted.

The purpose of this essay is to illustrate how a contextualized view of entrepreneurship contributes to our understanding of the phenomenon. There is growing recognition in entrepreneurship research that economic behaviour can be better understood within its historical, temporal, institutional, spatial, and social contexts, as these contexts provide individuals with opportunities and set boundaries for their actions. Context can be an asset and a liability for the nature and extent of entrepreneurship, but entrepreneurship can also impact contexts. Context is important for understanding when, how, and why entrepreneurship happens and who becomes involved.

It is important to understand what context is. In management research, context refers to circumstances, conditions, situations, or environments that are external to the respective phenomenon and enable or constrain it. In other words, context concerns the situation in which something happens.

However, it is important to say that theorise context poses a difficult challenge. In order to correctly theorise context, we are going to help us from the concept of embeddedness. Zukin and DiMaggio (1990) distinguish four forms of embeddedness: political, cultural, social and cognitive. Political and cultural embeddedness put the emphasis on the institutional environment. This refers to how institutions constrain or promote individual actions and behaviour. Cultural embeddedness refers to informal institutions, which contain the collective understanding of a society that influence the economic behaviour. Moreover, cultural embeddedness is linked to both social and cognitive embeddedness. Social embeddedness refers to the economic context in relation to interpersonal relations while cognitive embeddedness refers to ways in which mental processes limit the exercise of economic reasoning.

When analysing context, we need to consider the who, where, and when dimensions of context. The “when” perspective draws attention to temporal and historical contexts. It refers to historical influences on today’s entrepreneurship and the changes in contexts over time.

Where refers to the locations in which entrepreneurship happens. It includes both the distal context, for example, countries, political systems, or society which operates at a macro level, as well as a more proximate context such as the local neighbourhood of entrepreneurs, which operates at a micro level. (Mowday and Sutton, 1993).

The where dimension can be further distinguished according to: business, social, spatial, or institutional contexts.