Grounded Theory in Entrepreneurship Studies: Feasibility of the Method and the Design of Research

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ABSTRACT

In this paper, we discuss building grounded theory from case studies in the domain of entrepreneurship. We locate grounded theory as a research method in the umbrella of qualitative methods, also raising broader issues of its paradigmatic position. We then discuss situations where this method is feasible and recommendable. Thereafter, we review the pre-fieldwork research phase of planning and designing a study. A companion paper (Mäkelä, 2004) introduces the remaining phases of the grounded theory process, starting with a discussion on fieldwork.

Keywords: grounded theory method, entrepreneurship research, feasibility, design of the procedure
INTRODUCTION

In this paper, we discuss the building of theory from empirical data (Glaser and Strauss, 1967; see also Strauss and Corbin, 1998). We adhere to the instance where the data is obtained from studies of single or multiple cases (Eisenhardt, 1989; Yin, 1994), and we have an emphasis on studies of the entrepreneurship domain. The grounded theory method, as described here, is based on a systematic process, seeks rigor, and is viewed to stand on its own merits and not comprise just ‘pre-testing’ research (Charmaz, 2000; Dougherty, 2002).

We attempt to make two contributions to literature. First, we wish to explicitly position grounded theory as a research method in the paradigmatic field, discussing several ontologies and epistemologies that in our view can be used as alternative views into conducting grounded theory research. As an important part of this discussion, we take a stand to the appropriate definitions of ‘grounded theory’ and ‘case study research,’ and the interrelations of these two. Second, we discuss grounded theory as a method in the entrepreneurship domain. While its application is the same as for other business fields, we use a set of recent exemplar articles to illustrate the method’s wide applicability in subfields of entrepreneurship and venturing activity. We use exemplars to introduce and discuss choices in terms of research design that can be made to improve the quality of research, and to introduce best practices and pointers for further improvement.

We discuss the grounded theory method in the spirit of, among others, Strauss and Corbin (1998), that is, viewing it as an instance of research conducted within the
postpositivistic paradigm\(^1\) (see Guba and Lincoln, 1994, especially p. 110; Charmaz, 2000). This view entails an ontology of critical realism where reality is only probabilistically apprehendable and a modified objectivist epistemology. In contrast, a positivistic paradigm would entail an ontology of ‘naïve’ realism of an apprehendable reality and a strict objectivist epistemology (Lincoln and Guba, 2000)\(^2\).

\(^1\) For a good discussion on the paradigms of qualitative research with their stands on epistemologies, ontologies, and methodologies, see Lincoln and Guba (2000) or Guba and Lincoln (1994).

\(^2\) We define paradigm as a basic set of beliefs that guide action (Guba, 1990). We adopt the view of Denzin and Lincoln (1994a, p. 99) that paradigms “deal with first principles, or ultimates. They are human constructions. -- These beliefs [that guide action and form the paradigm] can never be established in terms of their ultimate truthfulness.” Paradigms can be viewed to be composed of a set of stances towards three subquestions: the ontological, epistemological, and methodological question (Guba and Lincoln, 1994). Ontology is about the form and nature of reality and what, then, can be known about it. Epistemology is about the nature of the relationship of the knower and what can be known. Methodology is about how can the inquirer find out what she believes can be known (Guba and Lincoln, 1994).

Three paradigms are of key importance for our account on grounded theory: positivistic, postpositivistic, and constructivistic. We briefly introduce their stances basing our review on Guba and Lincoln’s (1994) work. (Other paradigms are those of critical theory and related positions, feminism, cultural studies, and ethnic models of inquiry (Denzin and Lincoln, 1994a; Guba and Lincoln, 1994).)

Positivism’s ontology is that of realism. It is assumed that an apprehendable reality exists and is driven by immutable natural laws. Knowledge is typically summarized in time- or context-free generalizations. The epistemology is dualist and objectivist: the researcher and the object of research are assumed to be independent entities, and the investigator capable of studying the object without being influenced or influencing the object. The methodology is experimental and manipulative. Questions are presented as propositions and subjected to empirical testing; hypotheses are verified.

Postpositivism’s ontology is critical realist: it is assumed that reality exists but that it is only imperfectly apprehendable. Imperfect apprehendability is due to human intellectual mechanisms being flawed and the nature of phenomena being intractable. Epistemology is modified dualist and objectivist: while dualism is abandoned to a large extent as being impossible to maintain, objectivity still remains an ideal. Mechanisms that attempt to guard objectivity are enforced. Replicated findings are viewed to be probably true. Methodology is modified experimental and manipulative. ‘Critical multiplism’ is emphasized. This means the ‘triangulation’ of truth by using multiple sources of evidence, or, for instance, multiple investigators. Hypotheses are falsified, as opposed to verified. Concerns raised by the positivistic approach are answered by conducting inquiry in more natural settings, linking information to the particular situation, and soliciting emic (insider) viewpoints to studied phenomena. The utilization of qualitative techniques facilitates emic viewpoints and is increased as a response to the worries raised by positivist stances.

Constructivism’s ontology is relativist, meaning that realities are apprehendable in the form of many intangible mental constructions. These constructions are socially and experientially based, local, and have a specific nature. For their content and form, they are dependent on the individuals or groups holding the constructions. The constructions are not ‘true’ to some degree, but are rather ‘informed’ or ‘sophisticated’ to some degree. Constructions, and their associated ‘realities’ can be altered. Epistemology is transactional and subjectivist: the investigator and the object of research are assumed to have an interactive link so that the findings of the research are created (literally) in the course of the investigation. Correspondingly, the conventional distinction of epistemology to ontology disappears. Methodology is hermeneutical and dialectical: individual constructions can be created and refined only via interaction between and among the researcher and respondents. This is suggested by the variable and personal nature of the social constructions. Conventional hermeneutical techniques are used in interpreting the varying constructions. The constructions are compared and contrasted through a
The original developers of grounded theory, Barney G. Glaser and Anselm L. Strauss, started with a positivistic paradigm (Glaser and Strauss, 1967; see Glaser and Strauss, 1965). They have later deviated in their views so that Strauss, with his later coauthor Juliet Corbin, has recently advocated a more postpositivistic approach and Glaser has preserved a more traditional positivistic stance (e.g. Charmaz, 2000; Lincoln and Guba, 2000). In the view of Charmaz (2000), Strauss and Corbin have since the mid-1990s (Strauss and Corbin, 1994; 1998) shifted slightly towards the constructivist paradigm, albeit still being closer to postpositivism. Other views than positivistic or postpositivistic ones on grounded theory have also been taken. Notably, Charmaz (2000) argued for using the method as understood in the constructivist paradigm, thus entailing a relativistic ontology, and a subjectivist epistemology (e.g. Lincoln and Guba, 2000)³.

We address grounded theory as a part of the family of qualitative research methods. What is qualitative research? Qualitative research is to outlining a set of essential qualities of complex social phenomena (Dougherty, 2002). Qualitative research is based on understanding social life as an inherently complex structure. In this view, issues in social life are critically bound in ongoing social action among people in a specific situation (Strauss, 1987). There are numerous ways to define qualitative research, and definition is difficult. Qualitative research has no theory or paradigm distinctly its own; several paradigms claim the use of ‘qualitative research
methods’ (e.g. Denzin and Lincoln, 1994b). Qualitative research involves interpretive and naturalistic (Lincoln and Guba, 1985) approaches to data and analysis and is multimethod in focus (Denzin and Lincoln, 1994b, p. 2). Researchers often study phenomena in their natural settings, attempting to make sense or interpret their research objects in terms of the meanings people bring to them (Glaser and Strauss, 1965; Denzin and Lincoln, 1994b). A characteristic of qualitative research is also that it typically employs chiefly qualitative data.

Qualitative researchers should be able to get closer than quantitative researchers to the real-life actor’s perspective. They emphasize the socially constructed nature of reality, the close relationship of the researcher with the object of study, and situational constraints, stressing the ‘value-laden nature of inquiry’ (Denzin and Lincoln, 1994b, p. 4) and seeking to answer questions about how social reality is created and provided a meaning.

‘Qualitative research’ has become to denominate many kinds of inquiry, including efforts that may also employ statistical analyses, such as case studies. Thus, the term ‘qualitative research’ that refers to absence of enumeration is misleading to some extent, if one starts from the above common way of defining ‘qualitative research.’

The remainder of the paper is structured as follows. The next section discusses the positioning of the grounded theory method in the field of social research. The next section provides an overview into using the method, and its history and outcomes. The following section outlines situations in which grounded theory is a feasible or a recommendable method. Thereafter, we discuss designing grounded theory research. Concluding remarks are then presented.
Throughout many sections, we draw examples from recent top-tier entrepreneurship research employing the grounded theory or a similar method. The companion paper (Mäkelä, 2004), referred to throughout this text, introduces a detailed analysis⁴ of such exemplars for illustrative purposes.

**THE POSITION OF GROUNDED THEORY AMONG SOCIAL RESEARCH METHODS**

First, we wish to express our choice of dimensions and typology for classifying research. Our choice follows the one made in the organization of Denzin and Lincoln’s influential *Handbook of Qualitative Research* (Denzin and Lincoln, 1994a). Accordingly, we separate the following dimensions, and later in our presentation, we take a stand on how we view things to be in grounded theory research.

- *Paradigms and perspectives* (Guba and Lincoln, 1994; Denzin and Lincoln, 1994c). Some of these count more as ‘paradigms’ (for example, the constructivist, critical theory, and postpositivist paradigms; see also Kuhn, 1970) and some merely as ‘perspectives’ – lenses thorough which the subject of study can be viewed, such as those stemming from certain cultural practices (Fiske, 1994). In our view, the label of ‘qualitative research’ should be used to describe a set of research methods. We follow the stance of Guba and Lincoln (Guba and Lincoln, 1994), maintaining that both ‘quantitative methods’ and ‘qualitative methods’

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⁴ We have conducted a review of more than two hundred entrepreneurship articles and other papers published since 1996. Results of our survey, to which we refer in this paper, are reported in more detail in the Appendix of the companion paper.
Research methods, or ‘strategies of inquiry’ (e.g. Denzin and Lincoln, 1994c), also called ‘research strategies’ by some (e.g. Eisenhardt, 1989; Yin, 1994), are analysis techniques; some authors also link data collection vehicles to research methods (e.g. Strauss and Corbin, 1998). Examples of what has been called research methods include ethnography, grounded theory, clinical study, biography, historical research, or the case study (see Denzin and Lincoln, 1994b). In our view, however, these examples do not lie on a single dimension, but for instance, ‘case study’ should be used to refer to an object of study and ‘grounded theory’ to a method.

Techniques for (a) collecting and (b) analyzing empirical materials, such as interviewing (Fontana and Frey, 1994), collecting documents (Hodder, 1994; Ventresca and Mohr, 2002), observational techniques (Adler and Adler, 1994), personal experience methods (Clandinin and Connelly, 1994), and various visual methods (Harper, 1994). The facilities offered by computers (Miles and Huberman, 1994; Richards and Richards, 1994) and various forms of analysis methods such as content and semiotic analysis (e.g. Manning and Cullum-Swan, 1994) pertain to this category. A typical analysis method in grounded case research is coding within cases and then, for multiple case studies, across cases.

Interpretation and evaluation. This includes the interpretation of qualitative research, and the evaluation of its quality (see, e.g. Yin, 1994;
Janesick, 1994; Altheide and Johnson, 1994; Strauss and Corbin, 1998).

Quality can be analyzed, among others, by estimating validity and reliability (for instance, Yin, 1994) and by assessing the merit of the theory itself (Strauss, 1987), the research process (Yin, 1994), and the empirical grounding of the study (Yin, 1994).

Above we listed examples of research methods. What differentiates what some call the ‘case study method’ and the ‘grounded theory method’? Grounded theory is a research method that aims at presenting new theories\(^5\) that result from a thorough analysis of empirical materials (Glaser and Strauss, 1967; Strauss and Corbin, 1994, 1998; Dougherty, 2002). In a later section, we discuss the nature of this method in more detail. ‘Case study method’ is a term with several meanings (Stablein, 1996)\(^6\). Case studies are individual units, bounded systems that in the social sciences have ‘working parts’ and probably are ‘purposive, even having a self’ (Stake, 1994, p. 236). They are found in best research journals, practitioner journals and magazines, as teaching material, and elsewhere. The term ‘case study research method’ can be taken to denote many kinds of research strategies, naturally not only the grounded theory

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\(^5\) Theory, viewed here from a positivistic and postpositivistic lens, is a set of concepts related via statements of relationships, which combined constitute a framework that facilitates explaining or predicting phenomena (e.g. Strauss and Corbin, 1998). Authors typically introduce explicit statements of relationships with the labels of ‘hypothesis’ or ‘proposition,’ with the former often used when derived from earlier literature and reasoning and the latter when emerged from data analysis. ‘Proposition’ is also a common term in non-empirical theory-generating studies. ‘Proposition’ can have many definitions; we have chosen to understand it as a causal tie that connects constructs to each other, whereas a ‘hypothesis’ connects variables to each other (Bacharach, 1989, p. 498-499). To facilitate the understanding of this, we can view theory as ‘a statement of relationships between units observed or approximated in the empirical world’ (p. 498). In this typology, ‘approximated units’ refers to constructs. ‘Observed units’ refers to variables, which are operationalized for the purpose of empirical measurement (p. 498).

Some authors have put attention on what is needed for a theoretical set of constructs to truly appear as ‘theory’ (see, e.g. Sutton and Staw, 1995), and alternately labels such as ‘theorizing’ or ‘theoretical insights’ could be used for ‘lesser frameworks’ (Weick, 1995). Some authors prefer to call theory only a framework that has been established for a long time in the literature, perhaps decades. While the term ‘theory’ is, however, a useful term, and succinct single-word noun synonyms are absent, we follow top grounded theory method authors such as Strauss and Corbin (1998) and use the term ‘theory’ for end-results of a successful grounded theory research effort.

\(^6\) Ragin (1992) discusses these in detail.
method (Stake, 1994). There are numerous definitions for case studies; in this paper, we discuss grounded theory case studies building on a view of this method that is well aligned with Yin’s (1994, p. 13) definition of case study as

*an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.*

Yin’s definition is later on continued (p. 13) with another component that serves well to illustrate case studies in a grounded theory setting:

*The case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis.*

Instead of defining it as a research method, however, the case study could be viewed as a type of data (Stablein, 1996), and such type could be labeled as a choice of *object of study* (Stake, 1994). The latter formulation represents the viewpoint that we take in case studies in this grounded theory method paper. We find this a useful lens to case studies, especially while the term ‘case research’ is, in fact, often used as an euphemism for qualitative research (Locke, 2001). Grounded theory, then, is viewed as a methodological approach (see Denzin and Lincoln, 1994b).

It is of note that grounded theory research is not a subfield of case-based research. Some grounded theory research does not employ case data. Theoretical propositions could also be derived from other data, such as large-scale statistical data; see, for instance, a study that compares values among US and Chinese entrepreneurs,
authored by Holt (1997). To continue, it is obvious that not all case studies create
grounded theory (Stake, 1994), because case studies could be written only for
illustrative or descriptive purposes or theory-testing (e.g. Eisenhardt, 1989; Yin, 1994;
Stake, 1994). Case studies of a single, critical case that invalidate a hypothesis are a
premier example of theory-testing case studies (Yin, 1994). Teaching cases are a well-
known instance of cases as illustrative tools. To sum, case studies and grounded
theory studies are domains that only partly overlap.

Some authors have presented a case study typology of the intrinsic and the
instrumental case study (e.g. Stake, 1994). Intrinsic case studies are conducted for
achieving thorough understanding of the case; in contrast, the goal of instrumental
case studies is to provide insight into an issue or refinement of theory (Stake, 1994).
Grounded theory research employing case studies can thus be viewed to represent
either of these types.

Stake (1994) employs the label of ‘collective case study’ for the variant of
case study with multiple cases. Stablein (1996) provided another threefold typology of
case studies, using the labels of ‘ethno-cases, usually known as ethnographies;
“theory-generating” cases; and “exemplar” cases’ (p. 519). Ethno-cases are thus
g geared towards representing the reality of native participants (Atkinson and
Hammersley, 1994, p. 248; Van de Ven and Poole, 2002; Johnston, 2004). The
second type of case studies are produced in an attempt to discover theoretical
propositions that also facilitate some generalization, that is, in an attempt to discover
grounded theory. The third type of case studies, exemplar cases, are often presented to
organizational participant or students, and such presentations allow the audience to
compare the case information with the state of the nature in their own organization,
whether existing or fictional (Stablein, 1996). For instance, the entrepreneurship research that we review in this paper serve as such cases.

To sum, a grounded theory research often employs a case or multiple cases. It has been claimed that cases often are a preferred method of research because they can be epistemologically in harmony with the experience of the person reading the research report (Stake, 1978). This contention was presented by, among others, Stake (1978) who continued by adding that this harmony allows for a ‘natural basis for generalization.’ This posture refers to the concept of ‘naturalistic generalization’ as an alternative to the law-like, rationalistic generalization that has been discussed as partly ‘analytic generalization’ and partly ‘statistical generalization’ by, for instance, Yin (1994; see also Lincoln and Guba, 1985).

According to Yin (1994, p. 31), analytic generalization, which is the essential way to generalize in grounded theory research (Eisenhardt, 1989), compares results with previous literature and exhibits replication when two or more cases are shown to provide support for a theory. Sampling in analytic generalization should be theoretical, meaning that it should be purposeful with specific strategies that are reviewed below, and it should not be based on seeking representativeness (Eisenhardt, 1989; Yin, 1994). Analytic generalization is thus significantly different from statistical generalization, which also may have some relevance for case research. In statistical generalization, inferences are made from a sample to a population or a universe so that random sampling, a relatively large number of study objects, and representativeness are of key relevance (Yin, 1994; Hair, Jr. et al., 1998; Greene, 2000).

Of further note is the fact that case studies can, obviously, include quantitative data and also display statistical analysis (Stake, 1978). In social science research,
however, case studies most often feature complex and holistic descriptions that involve a large number of variables that are not highly isolated of each other. Data of those studies are likely to be collected at least partly by observation. The writing style is sometimes narrative, introducing features such as metaphors and verbatim quotation.

**WHAT IS GROUNDED THEORY RESEARCH?**

We begin our review of the conduct of grounded theory research by a general overview. Then, we build a stronger base for the succeeding detailed review of the process by introducing a brief history of the development and use of the method. Finally, we employ this section to introduce and discuss different types of outcomes from grounded theory research.

**The Conduct of Grounded Theory Research**

In our introduction of the conduct of grounded theory research, we mainly follow the approaches presented by Eisenhardt (1989) and Strauss and Corbin (1998). Further sections of the paper and the companion paper discuss the phases in more detail. First, grounded theory is theory derived from data that has been systematically collected and analyzed using an iterative process of considering and comparing earlier literature, the data, and the emerging theory. As mentioned in the previous section, cases, and thereafter smaller units of data, are sampled for analysis in a theoretical manner, meaning that instead of looking for representativeness, the researcher will seek to find variation in key underlying variables (Eisenhardt, 1989) and other theoretically interesting characteristics in the units.
Data collection typically is, and should be, concurrent with analysis to allow for changing the data collection plan to enable finding better theory (Eisenhardt, 1989). Researchers should not be too much preoccupied with existing theory, because they should be able to find new insights that emerge from their data and not let the findings be biased or limited (Glaser and Strauss, 1967; Eisenhardt, 1989). It is, however, important to consider existing literature in the iterative process and recognize which findings are new and if there is reason to believe that the emergent theory challenges an existing one instead of just building upon it. Furthermore, as proponents of grounded theory nowadays often note, a researcher should be cognizant of the fact that in practice, she has a pre-existing base of knowledge and this ‘theory-ladenness’ will certainly affect her view of reality (Strauss and Corbin, 1998). The researcher should begin by formulating a research question, and a plan for sampling cases and some reference to existing literature can be used herein (Eisenhardt, 1989).

Of further note is that grounded theory researchers may, depending on circumstances, usefully benefit from triangulation (e.g. Jick, 1979; Yin, 1994) of data collection methods, data types (for instance as divided by the quantitative-qualitative dimension), or investigators (Eisenhardt, 1989). Convergence of findings enhances confidence in the validity of the study, adding to the empirical grounding of the results, and conflicting findings obstruct premature closure of data collection or analysis.

Advocates of grounded theory often note that such theory is more likely to have fit with the reality and be relevant than a theory formed by combining insights from prior literature, experience, and common sense (e.g. Strauss and Corbin, 1998; Eisenhardt, 1989). Creativity is one important ingredient of grounded theory. This view is based on the premise that analysis – the interaction between the researcher and
data – is viewed as both a science and an art, the latter meaning that researchers should be open to new interpretations and fresh perspectives (Strauss and Corbin, 1998). The science part refers to requirements of rigor, analyticity, and systematic work that are placed on grounded theory research, too, as it is viewed in the present paper. Strict procedures for coding data (e.g. Strauss and Corbin, 1998) can be important tools that help to achieve rigor in the grounded theory process. Coding helps to distinguish important concepts and their relationships from the data.

Following analysis, propositions that state the relationships of the emergent theoretical framework will be formulated and a research report written. All the way throughout the analysis and proposition formulation parts of the process, intensive rotation between data, the emerging theory, and earlier literature has to be sought (Eisenhardt, 1989; Yin, 1994; Strauss and Corbin, 1998).

The History of Grounded Theory Inquiry

Above, we briefly initiated our discussion on the history of the grounded theory method, which begun with Glaser and Strauss’ book ‘The Discovery of Grounded Theory’ (1967). They questioned the hegemony of the quantitative research paradigm in the social sciences, which had marginalized a rich ethnographic tradition of their field, sociology (e.g. Charmaz, 2000). Some people began to view the gap between theory-generating and empirical studies as too wide, and Glaser and Strauss hoped to help bridge the gap and advocated for qualitative research to move more towards a theory development goal (e.g. Glaser, 1978; Strauss and Corbin, 1994). According to Charmaz (2000, p. 511; see Charmaz, 1995), Glaser and Strauss’ book was revolutionary in that it
challenged (a) arbitrary divisions between theory and [empirical] research, (b) views of qualitative research as primarily a precursor to more “rigorous” quantitative methods, (c) claims that the quest for rigor made qualitative research illegitimate, (d) beliefs that qualitative methods are impressionistic and unsystematic, (e) separation of data collection and analysis, and (f) assumptions that qualitative research could produce only descriptive case studies rather than theory development.


Charmaz (2000) criticized Strauss and Corbin (1990, 1998) for presenting ‘a behaviorist, rather than interpretive cast to their analysis’ (p. 512) while advocating an interpretivist and constructionist one herself. Glaser (1992) criticized Strauss and Corbin’s 1990 book by maintaining that in Strauss and Corbin’s approach, emerging theory would not be formed in a sufficiently objective way because data and analysis would be forced through a preconceived set of questions, techniques, and hypotheses.

Glaser (1992), for his part, advocates just abiding by general, systematic comparisons and views Strauss and Corbin’s approach as invoking contrived comparisons (see also Charmaz, 2000). Some authors have viewed Strauss and Corbin’s techniques as presenting too large a set of procedures that risks diverting the attention of researchers from the data and may result in loose theory (Charmaz, 2000).
While coding, the research should remember to relate concepts to each other in addition to just identifying them (Goulding, 1998), that is, she should put enough weight on the analysis phases that are labeled axial and selective coding in Strauss and Corbin’s terminology.

While evident disparities still abound, it remains necessary for researchers to choose from among different views, none of which can easily be backed as a superior alternative (Guba and Lincoln, 1994). Equally important is to be cognizant of basic tenets of other approaches.

**Potential Outcomes from Grounded Theory Research**

Grounded theory research can have many outcomes. It can lead to, among others, the end-results of ‘causal theory,’ wherein relationships of mutually interacting constructs are explained, or of ‘process theory,’ wherein the explanation specifically focuses on sequences of temporally evolving action, changes in which can be traced to structural and environmental changes (Strauss and Corbin, 1998, p. 163). Other possible outcomes are essentially less mature building blocks of theory (see Sutton and Staw, 1995), for example, concepts, typologies, and suggestions for enabling statistical research, such as ideas for potentially valid measurement items.

While a strong theoretical connection is often a desired characteristic of academically-oriented grounded theory research, studies in reality often lead to ‘narrow and idiosyncratic theory’ (Eisenhardt, 1989, p. 547), with the theorist unable to raise the theory’s level of generality. Indeed, such is, the typical outcome of grounded theory entrepreneurship research nowadays, too: see the companion paper for a detailed analysis of eight more recent top-outlet articles with a grounded theory or similar approach. These papers lead to, among others, causal theory, process
theory, and less mature theorizing in forms of conceptual classifications and
descriptions of structure, outline of important issues such as typical problems in a
development process or similarities of different types of business organization.

Eisenhardt (1989) illustrated the level of generality in results top-tier papers’
published prior to her work. She presented the examples of Gersick’s (1988),
Eisenhardt and Bourgeois’ (1988), and Burgelman’s (1983) work that, congruently
with many recent papers, presented theory ‘likely to be testable, novel, and
empirically valid,’ but nevertheless lacking ‘the sweep of theories like resource
dependence, population ecology, and transaction cost’, being ‘essentially theories
about specific phenomena’ (Eisenhardt, 1989, p. 547). However, even though ‘grand
theory’ such as those named above cannot be the required objective of a single
grounded theory study, researchers should, in keeping with our selected paradigm,
attempt to produce theory that is as general as possible.

**FEASIBILITY OF THE GROUNDED THEORY METHOD**

When can one use the grounded theory method? When should one? Our
starting point is the statement of research scope that is embodied in the research
problem. Several circumstances wherein grounded theory is a fit method have been
proposed as backed with solid argumentation. Eisenhardt (1989) nominated those
where little is known about a phenomenon, where there is little empirical validation of
current perspectives, or where existing perspectives conflict; moreover, findings of
theory-testing studies can also imply that there is a need for a new theory to enhance
explanation. Theory-building by case studies is particularly appropriate in the
aforementioned situations because such research does not rely on existing literature or
previous empirical evidence (Eisenhardt, 1989).
Yin (1994, p. 4-9) suggested that case studies are appropriate when the research question is of the type ‘how’ or ‘why,’ and when the study focuses on contemporary events over which the researcher has little control. In addition, as some authors note, a case study can disprove a theory by pointing out a case that strongly contradicts propositions (see, e.g. Yin 1994). This may potentially be achieved with a single case. It is of importance to note here that such disconfirmatory research may fall in the category of theory-testing instead of theory-creation and also be an interesting example of testing by case studies. Johnston et al. (1999) and Hillebrand et al. (2001) discuss theory-testing by case studies in detail. An example of hypotheses-driven case study research in the entrepreneurship domain is provided by Venkataraman and Van de Ven (1998).

Generally, qualitative research benefits from unique means to facilitate understanding the complexity of social phenomena (Dougherty, 2002). Moreover, qualitative research might be able to drill deep into phenomena where obtaining reliable quantitative data would be troublesome.

Scanning recent top-tier grounded theory and similar research in entrepreneurship for the analysis reported in the companion paper, we found that a typical justification for selecting the grounded theory method is that existing theory is considered inadequate or lacking at the time. Complexity of the studied phenomenon was also cited as a motivation to engage in an inductive case study (e.g. Garud et al., 2002). Also quoted was the argument that grounded theory can provide a new perspective to a phenomenon already studied (e.g. Hitt et al., 1998) or that the boundaries between the phenomenon were not evident (e.g. Amit and Zott, 2001). Bergmann Lichtenstein and Brush (2001) even quoted lack of empirical validation
while justifying a grounded theory-producing case study approach, and noted that the use of comparative case studies is increasing in entrepreneurship research.

**DESIGNING GROUNDED CASE STUDY RESEARCH**

Research design can generally be defined as a ‘logical sequence that connects the empirical data to a study’s initial research questions and, ultimately, to its conclusions’, involving an action plan to getting from the initial research question to conclusions (Yin, 1994, p. 19). In this section, we go into discussing the definition of the research problem and potential initial constructs, quality assessment in grounded theory research, and decisions about case organization.

**Research Problem and Initial Constructs**

We discussed above the central status of the research problem as a starting point of research. Knowing the research question will entail ability to articulate a justification for the grounded theory method but also for defining a focus for the study. In qualitative research, it is easy to get overwhelmed by the sheer volume of data. It is important to achieve and maintain focus to be able to design the study well. The research question should be defined in advance in at least broad terms (Eisenhardt, 1989). Definition will help specify the type of organization that should be approached and the type of data to be collected.

In addition to the research question, some constructs may be and sometimes should be specified prior to commencing data collection (Eisenhardt, 1989). Literature that is initially considered to be important can be explored in advance if the research question and potentially some constructs have been identified. Researchers should be aware of findings and standpoints of earlier literature that is believed to be of
relevance as in backing the research efforts. This enables researchers to probe new issues and linkages between constructs that are thought to be of relevance.

If earlier literature proves important in the data collection and analysis process, investigators have a tighter empirical grounding for the emerging theory (Eisenhardt, 1989). However, researchers should be aware of the possibility of bias towards such results that entail a certain way of using prior constructs as indicated in earlier literature; they should avoid being guided by earlier results (Glaser and Strauss, 1967). On the other hand, a threat of such bias may not be as imminent as many may think: Eisenhardt (1989) argued that the ‘constant juxtaposition of conflicting realities tends to “unfreeze” thinking, and so the process has the potential to generate theory with less researcher bias than theory built from incremental studies or armchair, axiomatic deduction’ (p. 546-547). It is important to recognize that early constructs are only tentative in nature and sometimes, data collection and analysis should be guided towards other areas.

Assessing Quality of Research

The focal goal of research design is to maximize quality of research (see Wigren, 2004). There is, however, no generally accepted algorithm for developing a high-quality study or a set of criteria for assessing quality. It seems obvious that standards for evaluating quantitative research cannot be directly applied to qualitative studies (e.g. Kirk and Miller, 1986). Most qualitative researchers are believed to think that the standards will at least have to be modified (Strauss and Corbin, 1998, p. 266). In the following, we seek to complement Wigren’s (2004) account in the domain of grounded theory research by briefly reviewing our analysis of recent entrepreneurship articles and quality assessment methods as viewed by prominent contemporary
authors on grounded theory and case studies. Following Strauss and Corbin (1998), we maintain that criteria for evaluating qualitative research are meant as guidelines and should not be understood as ‘hard-and-fast evaluative rules’ (p. 273).

Our review of recent entrepreneurship research that used the grounded theory or a similar method points out that quality assessment in such research typically employs a significantly less explicit evaluation of aspects such as reliability, and that validity is typically not evaluated as explicitly divided in several components in the way suggested by Yin (1994) (see a devoted column in the Appendix table of the companion paper). Nevertheless, such evaluation can only work to improve the quality of grounded theory research.

It remains a somewhat independent question that how much space should the researchers allocate in the research report for their assessment of quality. Most often our entrepreneurship research exemplars only allocated two to four paragraphs, while some other pieces of grounded theory research have used significantly more space or a clearly more systematic presentation for detailing methodological choices of the study (see, e.g. Eisenhardt and Bourgeois, III, 1988; Brown and Eisenhardt, 1997; Edmondson et al., 2001).

Yin (1994, p. 32-38) discussed quality evaluation validity as split into a threefold typology: construct, internal, and external validity. Construct validity refers to the establishment of appropriate operational measures for the concepts under study. Multiple sources of evidence, having key informants review the case study report, and establishment of a ‘chain of evidence’ are presented as means to improve construct validity. By ‘chain of evidence,’ Yin refers to a procedure which allows an external evaluator follow the derivation of results from initial research questions to the ultimate conclusions of the inquiry (p. 98).
*Internal validity* refers to the establishment of a causal relationship where certain conditions are shown to lead to others. For building strong internal validity, Yin reviews methods of matching evidence with propositions, building explanations about cases, and conducting time-series analyses of cases (p. 106-118).

*External validity* refers to the establishment of the domain into which the study’s results can be generalized. Achieving replication in multiple-case studies provides evidence of the generalizability of results. *Reliability* means that the results of the study can be reobtained by repeating the study. A detailed documentation of the procedures and design used in conducting the study will help to build reliability (p. 63-74, 94-98).

Eisenhardt (1989), for her part, suggested three hallmarks of excellent theory-generating case study research: (1) the presentation of ‘parsimonious, testable, and logically coherent theory -- which emerges at the end, not beginning, of the study’ (p. 548), (2) a strong method and evidence-propositions link, and (3) the introduction of new insights. This entails following a careful analytical procedure, and ruling out rival explanations. Eisenhardt also emphasized that researchers should provide the reader information about the sample, and data collection and analysis procedures and display sufficient evidence to back the constructs and propositions, providing testimony to the validity of the reported insights (p. 548). An important method in her own research for showing the reader the evidence-propositions link has been the use of variance-representation tables. These are tables that illustrate the case data’s support for the causal relationships of the emergent model (e.g. Eisenhardt and Bourgeois, 1988; Eisenhardt, 1989; Brown and Eisenhardt, 1997).
Case Organization

Key decisions in designing case studies are the selection between single versus multiple case design and holistic and embedded design (Yin, 1994, p. 38-51). As a part of these considerations, the units of analysis need to be specified. Moreover, cases need to be selected for the study. A central underlying principle is that the design of the study should mold to the research question and knowledge of prior theory. (Prior theory, though, should not create any biases to the design, as we have stated above.) We now present a review the designing of case organization in grounded theory research, basing our account mainly on Yin’s (1994) work.

**Single case studies.** Single case studies are common in case research. However, in the intersection of grounded theory research and case studies, instances where a single case design is appropriate remain few. In Yin’s account, a single case design is justifiable under three conditions: when the case is a rare or unique event, where it serves a revelatory purpose, or where it is a so-called critical case. Critical cases refer to theory testing (Yin, 1994, p. 38-40; Johnston et al., 1999), whereby flaws in prior theory can be pointed out, and revelatory cases are, by definition, descriptive (see Yin, 1994, p. 40-41). Hence, neither of these instances can be grounded theory. Unique or rare events, however, can be studied to create grounded theory. Moreover, when a single case is studied, using it for process research can help bring more data points and deepen the analysis, providing support to justifying a single case design (Steier and Greenwood, 2000).

A case can include one or more units of analysis. Whenever attention is given to subunits of the case itself, there are at least two analysis units in the cases; such case can be called embedded. For instance, if the grounded theory method would be employed to study practices used by research institutions that participate a national
research program, the program being the case, then attention given to individual projects within the program would constitute them as units of analysis, making the case study embedded. If instead only the universal nature of the program would be considered, the design would be holistic, as opposed to embedded.

According to Yin (1994, p. 41-43), a holistic design of a single case study is advantageous if relevant theory underlying the study has a holistic nature or if no logical subunits can be identified. Problems arise if such global approach makes the researcher avoid the level of detail that is needed in analyses. Problems of the embedded design include that the case study may fail to return from the embedded level to a larger level of analysis.

Generally, including the instance of holistic designs, the selection of the unit of analysis should be determined based on the research question. This should enable making the generalizations-to-theory to the correct context. For instance, Yin (1994, p. 23) writes about an excellent case study that describes the invention and development of a new computer by an engineering team. It appeared unclear that which one was the unit of analysis, the computer or the small group. Consequently, it was not clear whether the results should be generalized to a technology topic or to a group dynamics topic. Yin implicitly pointed out the importance of defining the unit of analysis to academic research to stating that the case study in question does not even need to answer this important question, because ‘the book is not an academic study’.

**Multiple case studies.** Multiple case studies can be argued to hold better chances for generalization than single case studies, and many scholars view evidence from multiple case studies as more compelling and the overall study as more robust (e.g. Yin, 1994, see also Eisenhardt, 1989).
The use of multiple case designs should always follow a logic of seeking replication instead of results in a statistical spirit. A statistical spirit would require operational enumeration of the entire population of potential cases and thereafter a statistical procedure for selecting a representative subset under study.

It is important to conduct a proper case selection based on theoretical arguments. It is of important note that replication may be claimed when a case shows different results than a comparison case when there is a theoretical explanation that credibly accounts for the different results. Such replication can be called *theoretical replication* as opposed to *literal replication*. A rich, theoretical framework should be produced that states conditions under which a phenomenon is likely to be found (literal replication) and those in which it is not likely to emerge (theoretical replication) (Yin, 1994, p. 46).

The *number of cases* may be an important consideration, mainly because further cases bring about increased requirements for data collection and analysis resources if one cannot afford losing depth of analysis, an important ingredient of case research. While a statistical sampling logic should not be used, the typical criteria for selecting the sample are irrelevant. In the theoretical sampling procedure, the number of replications that is allowed should be a key guiding element (Yin, 1994). Relevant environmental factors of the study, such as the perceived strength of rival theories, might affect the number or preferred replications. Eisenhardt (1989) suggested that ‘between 4 and 10 cases usually works well’, but simultaneously reminded that ‘there is no ideal number of cases’ (p. 545). Several recent case studies have exceeded ten cases. Some have even analyzed more than fifty cases in detail (see Uzzi, 1997; Amit and Zott, 2001; Danis and Parkhe, 2002).
Allowing for replication is a key advantage of a multiple case design over the single case design is that it allows for replication. At the same time, however, it may make the level of depth in inquiry shallower, thus making analytical generalizations more difficult. As noted by Yin (1994, p. 45), circumstances where a single case study is appropriate cannot usually be satisfied with a multiple case study, because such situations are, by their definition, very likely to involve one case only.

Like in a single case study, holistic and embedded designs are available alternatives in multiple case research. Here, too, the difference between the designs in a multiple case study depends on the phenomenon being studied. Employing the replication logic in no way implies that either a holistic or embedded design would be excluded. In a multiple case design, individual cases may be either.

The exemplar papers considered throughout this paper and in the appendix of the companion paper have several different designs. They, as a large majority of the papers that were scanned, do not explicitly use the terms of ‘embeddedness’ or ‘several levels of units of analysis.’ A good example of an embedded design is provided by, for instance, Birkinshaw (1997), who studied 39 entrepreneurial initiatives within six subsidiaries of multinational enterprises.

**Case selection.** The empirical design of a case study naturally includes selecting the real-life cases for the research. Case selection in qualitative research is covered in detail in Neergaard’s (2004) work. There are no specific requirements with case-based grounded theory research for sampling that would be different from those of other case inquiry.

Sampling should inquire into the variation of concepts along dimensional ranges. In multiple case studies, an important alternative for case organization in
grounded theory research, this includes sampling of cases and not just sampling on which things to investigate within cases (Yin, 1994).

Qualitative researchers are not attempting to control variables but to discover them. The researcher can sample phenomena, units, cases, places, or persons with the objective to maximize the differences in the properties of a concept. Such theoretical sampling is very important for theory building, since it allows the researcher to build variation into theory, thus helping to enhance its explanation (Strauss and Corbin, 1998). Random sampling, although possible, would often work to hinder the discovery of the variations (e.g. Eisenhardt, 1989). Thus, cases and lower-level analysis units should not be selected on statistical grounds based on goals such as representativeness of a population. It often makes sense to select extreme cases in which variation is easily observable (Eisenhardt, 1989).

In theoretical sampling, cases may be chosen to fill theoretical categories, provide examples of polar or extreme types, replicate previous cases or extend emergent theory (Glaser and Strauss, 1967; Eisenhardt, 1989). Sampling should be based on emerging concepts so that further sampling of cases and smaller analysis units may complement initial sampling during the course of data collection and analysis (Eisenhardt, 1989; Strauss and Corbin, 1998).

In top entrepreneurship research, grounded theory papers have conducted and explained their sampling in a variety of ways. According to our observations, the papers reported in the Appendix table of the companion paper relatively well represent the entrepreneurship grounded theory papers that were reviewed for selection to the analysis set of eight papers. While many papers – about a half of all – reported and did appropriate theoretical sampling, some also conducted a random sampling in the spirit of statistical research (e.g. Amit and Zott, 2001), an
intermediate sampling where the paper had a broadly defined scope and cases fit to the scope were selected without planning on variation (e.g. Bergmann Lichtenstein and Brush, 2001). Sometimes, the use of convenience sampling was explicitly acknowledged (e.g. Birkinshaw, 1997). A significant share of papers that actually used what we define as the grounded theory method failed to sufficiently articulate their grounds.

**FINAL REMARKS**

In this paper, we initiated a guide on the process of building grounded theory from case studies. We specifically discussed entrepreneurship research and have drawn examples from recent entrepreneurship articles. We have positioned our discussion in a paradigmatic context and identified settings where the grounded theory method is appropriate. We have also discussed a range of design issues, such as defining the research problem and unit of analysis and structuring the empirical case framework.

Our account continues in the the companion paper, where we discuss procedures of field work and data analysis, linking observations from the data and the emerging theoretical framework with prior literature, and formulating propositions. The companion paper also introduces a somewhat more detailed analysis of the set of recent top-tier entrepreneurship articles that we use as illustrations in the twin papers.
REFERENCES


