

Epistemic and Practical Perspectives on
Industry Emergence and Market Creation as Emergent Phenomena

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Abstract:

In this paper we propose that the conceptual principles that scholars use to study emergent phenomena can be used to develop a theoretical template informing the study of industry emergence and market creation. Rather than review the broad field of emergence, we draw on some of its most fundamental principles as the bases for guiding inquiry about market creation and industry emergence. While studying industry emergence and market creation may pose a number of theoretical and empirical challenges, developing better understanding of these phenomena is important because they can give us better theoretical understanding into the origins of change and disequilibrium in industries, which are currently treated as resulting from exogenous shocks, as well as into more pragmatic issues of market growth and resource migration across market niches. By developing better methods for studying market phenomena in the process of emergence, organizational scholars may be able to “amplify weak signals” in the environment and to develop forward-looking theoretical frameworks that can guide managerial action in real time. To begin, we ask, “Where do new markets come from?” Confronting the gale of creative destruction, it is relatively easy to spot the economic wreckage, the upended and transformed market spaces, the idled factories and displaced workers that bear witness to the withering effects of Schumpeterian economic evolution. But where should we look for the new shoots, the signs of renewal that are equally the hallmarks of a robust and dynamic economic engine? With the growing centrality of knowledge, innovation and entrepreneurship to continuing economic prosperity, identifying the signs of the emergence of new markets is becoming increasingly important for our understanding of the basic processes of capitalism. Entrepreneurs, investors, job seekers, and policy makers, not to mention academics, must all strive to recognize the patterns that betoken the emergence of future waves of innovation, value creation, and potential economic surplus. Traditional approaches to industry emergence and market creation suffer from important methodological liabilities: selection bias, entrepreneurial hagiography, narrative reification, self-fulfilling prophecy, and causal ambiguity, as well as poor ability to enable prospective analysis. We explore what an alternative theoretical framework for examining industry emergence and market creation would look like: What are the typical patterns or traces that signal industry emergence and market creation? What kinds of local rules and interactions should analysts focus upon when trying to identify the emergence of new industries and markets? How do stakeholder actions amplify weak signals and lead to self-reinforcing actions that constitute emerging industries and new markets? Where are the levers of control in such processes? We conclude by offering a matrix of possible analytic outcomes, with provisional recommendations about the various epistemic lenses that scholars and practitioners should adopt to enhance their ability to accurately identify and respond to industry emergence and market creation.