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Dear Dr. Cornelissen and Dr. Clarke:

I have now received and considered the reviews of your revised manuscript submitted to *Academy of Management Review* “Imagining and rationalizing opportunities: Inductive reasoning and the creation and justification of new ventures” (Manuscript AMR-08-0442R2). All three of your reviewers agree that your manuscript has made good progress and you’ve made a good effort to respond to their earlier concerns. Your reviewers also agree that at this stage, relatively minor issues remain. I share the opinion that your revised manuscript is much improved and that you undertook great effort to be responsive to the earlier feedback. And, while I agree there are still some issues to address, I believe these issues can be addressed with relatively little additional effort and thus, **I am pleased to conditionally accept your manuscript for publication in AMR** subject to the changes below. **Congratulations!** I will not be returning your revised manuscript to the reviewers, but instead will be ensuring the remaining changes are made on their behalf.

Although the reviewers identified a number of issues for you to consider in your revision, what follows are those that I consider to be most important. I am communicating these in a general order of importance (and challenge.) You have done a fantastic job developing this manuscript; the following suggestions are put forth in order to take it just a bit further. If you have any questions or concerns about tradeoffs associated with making these changes, please contact me.

- 1) I would like you to clarify and strengthen your arguments that situate your contribution in looking at early stage entrepreneurship within the larger sensemaking literature. See Reviewer 2 (3rd, 4th and final paragraphs) and Reviewer 3 (Comment 1, second point.) Please don’t go overboard but do look for substantive ways to *deepen* your contribution along these lines.
- 2) The ‘processual’ nature of your theory needs additional elaboration and clarity in presentation. While you do not need to address every question that Reviewer 2 raises about your process theory in the discussion section, I agree this section requires more development. Although I leave this up to you, I believe Reviewer 3’s suggestion to consider the challenge entrepreneurs

face in using different analogies and metaphors with different audiences may provide interesting elaboration and thinking in your theory. However, I believe you should go in this direction only if it can be added in a seamless way that clearly fits your theory. Finally, Figure 1 should be replaced with a figure that depicts your process theory. I appreciate the effort for simplicity but think in its current form, Figure 1 sells your ideas short, possibly trivializing your contribution. A fully specified figure will provide an important map for the readers and should help you continue your admirable efforts to communicate the more complicated elements of your ideas simply.

- 3) The discussion section also needs to be developed in terms of future research, in particular empirical research on entrepreneurship. You set the promise of this well in the introduction, but your execution falls short of this promise.
- 4) As Reviewer 3 states (and Reviewer 1 implies), it is not clear why the ideas communicated in Propositions 2 and 3 require two propositions. Please integrate or develop the distinction.
- 5) Please address Reviewer 3's 2nd point. I believe this will require direct (brief) delineation with regard to the Santos and Eisenhardt paper. The full paragraph on page 8 could also benefit from some clarification.
- 6) I encourage you to paraphrase the Goodman (155: 108) quote to make the ideas more accessible to a general *AMR* reader.
- 7) Please note Reviewer 3's comment about interpreting Douglas (1986.)
- 8) Although addressing these concerns may require a bit of additional text, please ensure that the manuscript stays about the same length. I can accept an additional page or two, but strongly encourage you to maintain the precision and clarity of presentation demonstrated in this revision of your manuscript.

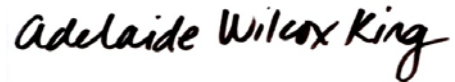
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When submitting your revised manuscript, you will be able to respond to this letter in the space provided. You do not need to append these comments to the end of your manuscript nor write individual responses to the reviewers' comments as they will not see this next version. You should, however, include a short one-paragraph bio of each author at the end of your manuscript. Because we are trying to facilitate timely revision of manuscripts submitted to *AMR*, please upload your revised manuscript by six weeks from today or contact me in advance to arrange an alternate deadline.

Again, I congratulate you on your interesting and well-executed research. I think your continued perseverance will result in a very fine end product. Thanks again for sending your research to the *Academy of Management Review*. Thank you for your revision and best of luck with the new revisions!

Warm regards,

A handwritten signature in black ink that reads "Adelaide Wilcox King". The signature is written in a cursive, flowing style.

Adelaide W. King
Associate Editor
Academy of Management Review

Comments from Reviewer 1:

I appreciate the work and effort that the author(s) have invested in this manuscript. After two rounds, rather than try to pick the latest version apart, I tried to see what its overall value to readers of AMR might be. So, noting that is time to “fish or cut bait”¹ I think that the paper does accomplish a few objectives.

First, it does link together the literatures on entrepreneurial cognition and institutional theory in the entrepreneurial context. This is not a small accomplishment, though the paper is highly “entrepreneur-centric”. Still, the links to the more macro institution theory were made, and I think that is valuable and has the potential to spur subsequent research.

Second, the paper reads much better than it did, and the propositions are genuine in that they actually make testable predictions.

Third, the propositions are sensible, though somehow not completely satisfying. That satisfaction derives from the fact that the predictions are basically as follows:²

- (1) Entrepreneurs with experience in a related industry will use analogies from that industry to legitimate the venture.
- (2) Entrepreneurs with experience in multiple industries will use analogies from all of them, or those that fit across them.
- (3) Entrepreneurs with no experience will use metaphors, not analogies.
- (4) If people don't buy the analogies (metaphors), entrepreneurs will try different ones.
- (5) If people do buy the analogies (metaphors) entrepreneurs will increase their reliance on them.

This all seems pretty simple, but at the same time, sensemaking theory is devilishly hard to pin down in terms of predictions. I suppose in the end that I find the propositions reasonable and valuable. And, though it could have been played up more, the study does open the door to some empirical sensemaking research on entrepreneurship and the legitimation processes of new ventures. That is a solid accomplishment.

Good luck with this research.

¹ In my earlier life we had a more colorful way of putting this.

² I'm sorry to bluntly and perhaps offensively restate the propositions this way, but readers of AMR will do it, so you may as well be prepared.

Comments from Reviewer 2:

I found the paper much improved. The introduction and the discussion of analogy making in entrepreneurship are clear. I especially liked the part on analogical reasoning. The clarity in these parts reveals, however, that your contribution sits only loosely within its framework, something I consider problematic. You suggest theorizing analogy-making as a way to bring cognitive and institutional approaches to entrepreneurship together on the ground of sensemaking theory.

While it is becoming apparent from your text that analogy making plays a key role in cognitive and institutional approaches to entrepreneurship, this doesn't necessarily mean that it might help mending or accommodating the differences between those two perspectives.

A number of theorists have tried to bridge the gap between cognition and institutions, and you are choosing sensemaking (Giddens or Bourdieu could have been alternatives). But if sensemaking theory bridges the gap already, and you are placing your work on analogies into this ballpark, then it is not surprising that you see it as a way to bring cognitive and institutional approaches closer together. You could just have said that sensemaking is doing this, and that you are going along the path it has cleared, discussing what new things we learn about sensemaking from revisiting this theory from an analogical view on entrepreneurship.

What this would demand of you is to speak to all (!) aspects of sensemaking (or sensegiving, which seems closer to home for your article). But you are placing a premium on language and treat the other aspects of that theory only cursorily. This becomes a liability when you are working through the role of analogical reasoning in entrepreneurship (a part which I like otherwise). Here you could point-by-point hark back to the sensemaking literature that you bring up in your introductory paragraphs, detailing how it informs or constrains this process.

This leads me to part of your paper that I found to be the weakest. In your discussion section, I would have expected that you bring the many strands of thinking that you have introduced together. But, you provide only three implications for future research. I think part of the problem is that you assert that the process theory is already finished at this point. I believe, however, that the discussion is the place for some more heavy lifting. Can you give me an overview of stages or phases of your process theory? Or is it an amorphous and emerging process? How does it funnel back into the sensemaking literature and speak to issues such as identity, plausibility, retrospection, enactment, etc. Is it an evolutionary process, over selection and retention? What are the implications for organizing or maybe even mindfulness?

Further, a number of scholars find the sensemaking literature too cognitive in orientation, meaning that the enactment part in it is only having a subordinate position. Your article would be a suitable place to take up such criticism and to suggest how sensemaking is not "only" cognitive.

My suggestion is to explore sensemaking research in much larger depth to reconstruct how it establishes a mutual constitution of cognition and institutions, and the role of analogy within it, and to introduce early stage venturing as the perfect place to study this.

Comments from Reviewer 3:

This version streamlines several strands of the prior revision's argument. In moving away from effectance and towards a more extensive consideration of sensemaking during the early stages of a venture, it reduces some concerns about the prior revision's argument. Yet it also raises a few new possible concerns. My comments below will thus consider this reorientation and its implications for the authors' argument and propositions. Before I continue, let me add the following general comment. Despite the authors seem to have worked hard at streamlining their argument, I still find it to be poorly specified at times. I am a modeler by nature. I like clearly stated assumptions, premises, and arguments that are logically derived from such assumptions and premises, with clearly defined boundary conditions etc. I realize that verbal theorizing can be looser by its own nature than formal modeling. However, when I think about the paper's argument from a modeler's standpoint (or just from the standpoint of someone who likes rigorously derived logical arguments) I realize this paper contains plenty of opportunities for improvement.

1) The authors' reorientation of the paper towards sensemaking and the initial stages of a venture makes sense and would seem to allow the authors to sharpen their contribution by shedding light on the early stages of forming a venture. Further, the less defined nature of a venture in these stages seems to call more for analogy and metaphor than a venture's later stages might. There are, however, several questions that this reorientation seems not to consider, and I would suggest three areas for improvement.

First, consistent with my comments on a prior draft, I think the authors should specify more clearly the assumptions that underlie their implicit model of cognition. For instance, in light of the possibility that entrepreneurs engage in many types of action during a venture's early stages, why should analogy and metaphor have a special status relative to other actions or cognitive mechanisms? Given the importance of this point, I would like to see a more convincing argument laid out in the paper.

Second, I wonder whether analogy and metaphor are common simply to more inchoate settings, where higher degrees of sensemaking are necessary, whether or not these settings involve new ventures and entrepreneurial individuals. Indeed, perhaps the authors focused on effectance in the prior two versions of this manuscript because entrepreneurs might have a relatively greater need for effectance, a need that compels them to be relatively more proactive, than the average sensemaking individual has. If the authors agree with this observation, the theoretical argument would then need some further specification and elaboration.

Third, I think Figure 1 is substantially underspecified. Can the authors develop a process model via a figure that explains the possible mechanisms through which entrepreneurs and new ventures do (and do not) emerge?

2) The examples that cite other research (especially Santos and Eisenhardt) in this version are helpful, but the extent to which the manuscript discusses and summarizes this work sometimes makes it unclear whether the authors are shedding useful new light on other findings via their own focus on analogy and metaphor or are summarizing what other researchers have found. The authors should clarify this issue.

3) Regarding Propositions 5 and 6, if entrepreneurs are situated in middle of institutional forces, why aren't they able to elaborate the most legitimate courses of action in their initial attempts to do so? It seems that the adaptation and replacement that are referred to in these propositions are more accurately a function of the fact that entrepreneurs have to speak to audiences with different interests and beliefs, and it often turns out that some audiences are relatively more important for gaining legitimacy. The example of Secret as cited on page 23 seems to exemplify this possibility. Perhaps one thing to consider—and that might be the basis for another proposition—is the challenge entrepreneurs can have in using different analogies and metaphors to appeal to distinct audiences; the challenge would seem to lie in evoking different images that are not opposed to each other. Perhaps that is one reason why the switch in Haven from community to fair market failed (these images seem at least somewhat contradictory), leading to the reorientation, with further fictitious elaboration, to the community concept.

Regarding Proposition 3, although there is some difference between it and Proposition 2, its added value does not seem sufficiently high to justify making it a distinct proposition. Could the authors clarify its importance, or delete it?

Miscellaneous

There's a lot of "throat clearing" in the introductory section that ultimately makes a simple point: both individual/cognitive and institutional forces matter. Could the authors condense this discussion?

The use of Douglas on 25 is not accurate. In the passage cited, Douglas is discussing incipient institutions, not new ventures. These are very different animals, and it's best to be wary about extrapolating (or analogizing) from one to the other.