

**Developing Theory and
Theoretical Contributions
Session 4 – Counter-factual
reasoning**

Prof. dr. Joep Cornelissen

Topics for today

- 1. The role of counter-factual reasoning in theory development
- 2. How can we use counter-factual reasoning as part of our own project?

Introduction

- Locke and Golden-Biddle (1997)
 - Synthesize prior research as incomplete (need for further development/specification) → **causal counter-factual**
 - Synthesize prior research as inadequate (extant literature does not sufficiently incorporate different perspectives on the phenomenon under investigation) → **analogical blending or constitutive counter-factual**
 - Synthesize prior research as incommensurable (extant literature not only overlooks relevant perspectives but is also simply wrong) → **high-level counter-factual**

Counter-factual reasoning: imagining alternative hypothetical scenarios which serve as foils to a received or orthodox theory (Folger & Thurillo, 1999; Tsang & Elsaesser, 2011).

Folger and Thurillo (1999: 745); “thought experiments thereby zero in on problematic assumptions and help theorists to construct imaginary worlds to draw out implications of new assumptions”.

Tsang and Elsaesser (2011): counter-factual reasoning may help in establishing causality by contrasting a given theoretical explanation of an actual scenario with a reasonably different imagined explanation so as to isolate some causal factors from others in the actual situation of interest and to determine precise causal relations (see also Durand & Vaara, 2009).

Soapbox!

Alvesson and Sandberg (2011)

1. Heuristic or spotlight counter-factual (Turner, 1996)

Example in OMT: situated leadership

2. Causal or lab-rat counter-factual (Turner, 1996)

Example in OMT: transaction cost economics

3. Constitutive counter-factual (Goodman, 1947)

Example (in OMT): prospect theory

Table I. An overview of reasoning and theory development

<i>Mode of reasoning</i>	<i>Analogies</i>	<i>Counterfactuals</i>	<i>Typical application</i>	<i>Illustrative references in management studies</i>
Heuristic reasoning	<i>Heuristic analogy</i> The extension of ideas and assumptions from other contexts into management studies for the purpose of suggesting new and alternative assumptions	<i>Spotlight counterfactual</i> The challenging of default assumptions through contrastive questioning	<i>Theory building</i> The development of new constructs in relation to a target phenomenon, possibly through rewriting default assumptions around a target phenomenon in alternative terms	<i>Heuristic analogy:</i> Bacharach (1989), Boxenbaum and Rouleau (2011), Shepherd and Sutcliffe (2011), Weick (1989) <i>Spotlight counterfactual:</i> Alvesson and Sandberg (2011), Oswick et al., (2011)
Causal reasoning	<i>Causal analogy</i> The extension of causal models from other contexts into management studies for the purpose of suggesting new hypotheses and explanations	<i>Lab-rat counterfactual</i> The identification of important causal factors and causal patterns through contrastive questioning and testing	<i>Qualifying theory</i> The development and refinement of explanations of a target phenomenon by reducing the causal field of factors around a target phenomenon to a more parsimonious set	<i>Causal analogy:</i> new <i>Lab-rat counterfactual:</i> Durand and Vaara (2009), Tsang and Elsaesser (2011),
Constitutive reasoning	<i>Constitutive analogy</i> The alignment and integration of management constructs with constructs from other contexts for the purpose of providing an integrated conceptual model with coherence in its base assumptions, default logic, and hypotheses	<i>Constitutive counterfactual</i> The alignment and integration of a default theory with an imagined counter-alternative model with attendant assumptions and a causal logic	<i>Theory expansion</i> The insertion of a radically new theoretical perspective and vocabulary for advancing our understanding of a target phenomenon	<i>Constitutive analogy:</i> Cornelissen (2005), Morgan (1980), Okhuysen and Bonardi (2011), <i>Constitutive counterfactual:</i> new

‘Lab rat’ versus ‘spotlight’ counter-factual (Turner, 1996; see Cornelissen & Durand, 2012)

→ within the first type the theorist exploits the carefully controlled structure of similarities and differences between the actual and imagined situation so as to determine patterns of causality and the plausibility of rival explanations.

→ within the second type the theorist spotlights base assumptions or ideas in a given theory or literature, in order to stimulate reflectivity and to see the potential (but only the potential) for changing conceptual frames (Turner, 1996).

Reflective exercise 1

- ‘Contrastive questioning’
 - What if...?
 - Problematize base assumptions and default (causal) logic

Links to Theory (Colquitt and Zapatan-Phelan (2007))

- Building theory refers to the introduction of a new construct or a significant re-conceptualization of an existing one (Bacharach, 1989; Weick, 1989).
 - Heuristic analogies and spotlight counter-factuals flag up an alternative set of assumptions that challenge existing theory and may provide the basis for construct development. As such they may lead to the introduction of a new construct or to the significant re-conceptualization of an existing one that may open up new directions for research and that can shape future thinking (Colquitt & Zapata-Phelan, 2007).

- Qualifying theory refers to the further specification and revision of causal relationships and processes (Colquitt & Zapata-Phelan, 2007; Durand & Vaara, 2009).
 - At the level of causality, analogies and counter-factuals help “qualify” previously established causal relationships or processes by conceptually integrating different causal schemas (Okhuysen & Bonardi, 2010), or by fleshing out and elaborating alternative causal pathways (Colquitt & Zapata-Phelan, 2007).

- Expanding theory involves the formulation of an integrated set of constructs, relationships, or processes that have not been the subject of prior theorizing (Colquitt & Zapata-Phelan, 2007; Corley & Gioia, 2011).
 - Corley and Gioia (2011: 19) in their review of highly cited and award winning papers in the Academy of Management Review noted that those contributions did not so much stem from introducing new constructs “but much more often by offering a novel approach to integrating prior thought and research into some model or framework that constituted a different way of understanding some phenomenon”.

Soapbox!

Durand and Vaara (2009)

Reflective exercise 2

- What causal counter-factuals do you use in your study
- Is the reasoning coherent and compelling?
- What new candidate explanations does it provide?

Case example

- Ramoglou, S., & Tsang, E. 2015. A realist perspective of entrepreneurship: opportunities as propensities. *Academy of Management Review*, in press
- ...and Dialogue responses...