# Why the Theory of Hierarchical Entrepreneurial Deviance Matters

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Entrepreneurship scholarship has developed powerful explanations of how entrepreneurs recognize or create opportunities, judge uncertain futures, construct identities, mobilize networks, assemble resources, design ventures, enter markets, and alter institutions. Yet this knowledge remains divided across levels of analysis. A cognitive theory can explain why one actor interprets a situation differently from others. Network research can explain how that actor gains resources and legitimacy. Market and institutional theories can explain selection, diffusion, and field change. What has been missing is a common architecture that shows how these processes may connect: how a departure in individual judgment becomes collective action, how collective action becomes an offering that others evaluate, and how adoption sometimes expands into structural or systemic transformation.

The Theory of Hierarchical Entrepreneurial Deviance, or THED, was developed to address that problem (Fregetto 2026). Its primary accomplishment is a reference-dependent, recursive, and multilevel explanation of entrepreneurial departure and amplification. THED does not claim that cognition, identity, networks, entrepreneurial methods, markets, or institutions are newly discovered subjects. Its contribution is integrative. It locates the forms of departure explained by these research streams within one theoretical structure, identifies the reference state relevant to each form, and specifies the mechanisms through which a departure may be translated into a broader unit of analysis.

This contribution matters because entrepreneurship is often discussed as though novelty has a single location and a predictable trajectory. An entrepreneur thinks differently, launches a venture, enters a market, and, if successful, changes an industry. That familiar account compresses distinct phenomena into one sequence. A novel interpretation is not the same construct as an unconventional identity, an atypical network, an unusual venture practice, a market departure, or a reconfigured institutional field. Nor does the presence of one establish the existence of another. THED makes these distinctions explicit and thereby provides a more precise account of where entrepreneurial difference resides, how far it travels, and why its consequences vary.

## Defining Entrepreneurial Deviance

The term *deviance* carries moral and behavioral associations that can obscure its analytical value. THED therefore defines entrepreneurial deviance neutrally as a material departure from the expectations, beliefs, routines, categories, or arrangements of a specified reference group or system. Three features of this definition are consequential.

First, deviance is relational. No interpretation, practice, offering, or structural arrangement is deviant in the abstract. Researchers must identify the relevant reference state, the unit in which the departure occurs, and the time at which the comparison is made. An unusual venture practice relative to one industry may be conventional in another. An offering that departs sharply from a market category at its introduction may become ordinary after widespread

adoption. By requiring an explicit reference state, THED turns entrepreneurial distinctiveness from a loose description into a construct that can be investigated.

Second, departure is separated from evaluation. Entrepreneurial deviance may be beneficial or harmful, ethical or unethical, commercially successful or unsuccessful. Greater departure does not establish greater value, and broader amplification does not establish social benefit. This neutrality is particularly important when scholars study celebrated entrepreneurs or transformative technologies. Historical consequence can coexist with displacement, inequality, concentrated power, environmental damage, or institutional harm. Conversely, a localized departure may create substantial value without transforming an industry or system.

Third, deviance is distinct from novelty alone. Novelty describes difference, but THED asks where that difference is located and whether it has entered a broader unit. A prototype may be technically novel without gaining external adoption. A venture may attract customers without changing the structure of its market. A field may be reorganized without producing change across a wider social or economic system. These distinctions reduce the risk of inferring higher-order transformation from founder reputation, venture growth, or retrospective accounts of success.

**Locating Departure Across Levels**

THED distinguishes two foundations from seven loci of entrepreneurial deviance. Agentic action and uncertainty-bearing judgment are foundational because entrepreneurship requires purposeful intervention and commitment when reliable probabilities or complete means-ends relationships are unavailable. Neither foundation, however, is itself deviance. Purposeful action may reproduce an established routine, and judgment under uncertainty may remain consistent with prevailing beliefs.

Entrepreneurial deviance first becomes observable when an actor constructs or adopts an interpretation that departs materially from the causal assumptions or beliefs of a relevant reference group. THED identifies this as interpretive deviance. That departure may then become incorporated into an actor's role identity, embedded in an atypical relationship or stakeholder configuration, and enacted through venture practices, routines, experiments, or artifacts. External actors may adopt or exchange the resulting offering, creating market deviance. Consequential diffusion may lead competitors, complementors, regulators, professional groups, or other interdependent actors to reorganize a field, producing structural deviance. In rare cases, mutually reinforcing changes propagate across fields and persist beyond the originating venture, producing systemic transformational deviance.

The hierarchy describes an expansion in locus and potential consequence. It is not a ranking of entrepreneurs and should not be read as a fixed sequence of developmental stages. Not every venture must display each locus as a discrete empirical phase. Identity may remain peripheral, existing relationships may permit rapid enactment, and several forms of departure may overlap in time. The analytical requirement is narrower and more demanding: researchers may infer a broader departure only when evidence shows that the departure entered the broader unit and altered its relevant reference state.

This distinction is one of THED's most important accomplishments. It separates the magnitude of a departure at one locus from the breadth of its reach. A radical interpretation may remain private or fail during enactment. A comparatively modest initial departure may diffuse widely and compel many actors to reorganize their conduct. Entrepreneurship research can therefore examine two questions independently: How far does an entrepreneurial manifestation depart from its reference state, and how broadly is that departure amplified?

**Explaining Translation and Amplification**

The central theoretical claim of THED is that lower-level departure creates the possibility, but not the sufficiency, of higher-level transformation. Each movement toward a broader locus depends on a mechanism that cannot be assumed from the presence of the preceding departure.

An unconventional interpretation may require identity internalization before it sustains commitment. Identity may motivate an entrepreneur to seek relationships that depart from established exchange patterns, but productive relational deviance depends on enrolling stakeholders with relevant capabilities, complementarity, and commitment. An unusual stakeholder constellation must still coordinate action and create practices or artifacts that embody the departure. Those artifacts must become sufficiently distinctive, comprehensible, and valuable for external actors to adopt them. Market adoption must become consequential enough to induce responses from interdependent field actors. Systemic transformation requires the further propagation, institutionalization, and recursive reproduction of change across multiple fields.

At every transition, amplification may stop. Stakeholders may decline to participate. A coalition may fail to coordinate. Customers may reject or misunderstand an artifact. Incumbents may absorb the offering without altering existing structures. Regulation may constrain diffusion. A field-level change may remain isolated. These are not peripheral cases or incomplete observations. They are central evidence for explaining why most entrepreneurial departures remain localized.

THED thus redirects attention from the mere coexistence of novelty at different levels to the mechanisms connecting them. Demonstrating that an unusual interpretation preceded a novel venture is insufficient if the process of translation remains unobserved. Strong tests must examine identity work, stakeholder enrollment, coordinated enactment, artifact exposure, adoption, diffusion, institutionalization, and other proposed mechanisms while comparing them with rival explanations such as resource quality, technological superiority, network position, legitimacy, market demand, and environmental selection.

**Replacing Linear Progression With Recursive Process**

Entrepreneurial processes do not move only upward. Market feedback may revise an entrepreneur's interpretation. Stakeholder contestation may strengthen identity through reaffirmation or weaken it through disengagement. Regulatory responses may redirect venture practices. Structural change may create new uncertainty, prompting another round of judgment and action. THED incorporates these feedback effects by treating entrepreneurship as recursive rather than unidirectional.

This formulation makes room for de-amplification and normalization. A departure may contract, reverse, return to an earlier locus, become localized, or be absorbed into established arrangements. It may also lose its deviant status because it succeeded. Adoption, imitation, and institutionalization can change the reference state against which the original manifestation is judged. A practice that was once unconventional may eventually define the convention. Its contemporaneous deviance declines even though its historical consequences remain.

This temporal insight is significant for measurement. Researchers cannot treat reference states as fixed or infer that declining deviance necessarily indicates failure or conformity. They must measure both the manifestation and its reference state repeatedly. They must also distinguish learning from improvement. Feedback can generate useful adaptation, but it can also produce rigidity, escalation of commitment, misinterpretation, or abandonment. Entrepreneurs and other participants may learn different lessons from the same episode, with different consequences for subsequent action.

**Explaining Why Systemic Transformation Is Rare**

THED's frequency-consequence proposition provides a distributional explanation of entrepreneurial transformation. As departures move toward broader loci, further amplification should become less probable because the required conjunction of entrepreneurial conduct, stakeholder participation, adoption, coordination, complementary change, institutionalization, and recursive reinforcement becomes more demanding. Conditional on successful amplification, however, the resulting change should become broader in scope, deeper in consequence, more persistent, and less dependent on its originators.

This proposition helps reconcile two observations that entrepreneurship scholarship sometimes treats as competing. Entrepreneurial judgment and experimentation may be widely distributed, while system-transforming entrepreneurship remains exceptionally rare. These claims concern different loci and do not require scholars to classify lower-level entrepreneurs as inferior. Most ventures neither need nor seek systemic transformation, and a departure's social or economic value cannot be inferred from the breadth of its amplification.

THED calls the highest locus the Caruso level, drawing on Schumpeter's analogy between exceptional entrepreneurial aptitude and exceptional singing ability. The label recognizes that the capacity to imagine and sustain consequential departures may be unevenly distributed. It does not revive a heroic account in which one exceptional person causes systemic change. Caruso-level deviance is an achieved system-level outcome. It requires catalytic entrepreneurial conduct together with distributed amplification by employees, customers, investors, competitors, complementors, regulators, professional communities, and institutions. A transformation qualifies as systemic only when mutually reinforcing changes cross field boundaries, become institutionalized, persist over time, and no longer depend on the originating actor or venture.

**Advancing Entrepreneurship Scholarship**

THED contributes to entrepreneurship scholarship in four related ways. It establishes a differentiated ontology that separates entrepreneurial foundations from observable loci of

deviance. It connects levels of analysis through specified translation mechanisms without treating higher-level phenomena as simple aggregates of individual attributes. It reconceptualizes entrepreneurial distinctiveness as an expanding locus rather than a single venture characteristic. It also joins entrepreneurial agency with external selection by explaining higher-order outcomes as products of interaction among originators, stakeholders, artifacts, markets, institutions, and changing historical conditions.

These contributions offer a demanding empirical agenda. Researchers must identify reference states independently of outcomes, establish materiality thresholds, locate departures in the proper units, and observe the mechanisms through which they travel. Longitudinal and comparative designs are especially important. Studies should begin near the time of initial judgment rather than relying exclusively on retrospective founder narratives. They should follow both successful and failed transitions, draw evidence from multiple participants, and compare entrepreneurial episodes that began under similar conditions but reached different loci. Process tracing, network analysis, event-history methods, multilevel models, configurational analysis, and comparative historical research may each illuminate different parts of the theory.

The theory also has implications for entrepreneurship education. If entrepreneurship involves the uncertain translation of departures across multiple loci, education should extend beyond idea generation, business planning, and venture launch. Students need opportunities to question reference states, exercise judgment without complete probabilities, examine the relationship between ideas and identity, enroll complementary stakeholders, convert interpretations into testable artifacts, and expose those artifacts to genuine external evaluation. They must learn that customer acceptance is not equivalent to structural change, that rejection can produce useful evidence, and that wider consequences depend on distributed action. THED supports an educational approach organized around judgment, enactment, feedback, adaptation, and responsibility for consequences.

**The Research Program Ahead**

THED should be judged by the explanatory leverage it produces, not by the completeness of its conceptual architecture. The published article advances propositions and specifies how they might be tested; it does not provide empirical confirmation of the theory. Future research must determine whether reference-dependent departure and the proposed translation mechanisms explain amplification beyond established predictors such as resources, founder experience, technological quality, network centrality, legitimacy, and market demand. Evidence that conventional explanations account for the same outcomes equally well would limit THED's incremental contribution. Evidence that the location, reference state, and translation of a departure improve explanation would strengthen it.

The most valuable studies may be those that resist the field's attraction to celebrated successes. Failed translations reveal which mechanisms were absent or ineffective. De-amplifying trajectories show how departures contract or are absorbed. Comparisons across time reveal how successful change alters the reference state and becomes normalized. Rare-event and comparative historical studies can test whether Caruso-level outcomes actually reflect cross-field propagation and distributed reproduction rather than retrospective attribution to a prominent founder.

THED changes the question entrepreneurship scholars can ask. Instead of stopping at what makes an entrepreneur, idea, or venture different, it directs inquiry toward a more exact set of relationships: different from which reference state, located in what unit, translated through which mechanism, selected or resisted by whom, amplified how far, and with what economic, social, and ethical consequences? That shift is the theory's principal achievement. It gives entrepreneurship scholarship a coherent framework for explaining how thinking differently may become acting differently, how acting differently may become exchanging differently, and why only a rare subset of departures reorganizes the structures within which future entrepreneurial action occurs.

**Reference**

Fregetto, Eugene. 2026. “Theory of Hierarchical Entrepreneurial Deviance: A Recursive Multilevel Account of Entrepreneurial Departure and Amplification.” *Educational Research and Development* 2 (3): 48–72. https://doi.org/10.65343/erd.v2i3.131.