Exploring Legitimation Strategies of New Ventures

D I S S E R T A T I O N

of the University of St. Gallen,

School of Management,

Economics, Law, Social Sciences

and International Affairs

to obtain the title of

Doctor of Philosophy in Management

submitted by

Florian Ueberbacher

from

Austria

Approved on the application of

Prof. Claus D. Jacobs, Ph.D.

and

Prof. Steven W. Floyd, Ph.D.

Dissertation no. 4120

Difo-Druck GmbH, Bamberg 2013

The University of St. Gallen, School of Management, Economics, Law, Social Sciences and International Affairs hereby consents to the printing of the present dissertation, without hereby expressing any opinion on the views herein expressed.

St. Gallen, October 29, 2012

The President:

Prof. Dr. Thomas Bieger

ACKNOWLEDGEMENTS

Having dedicated the past 4 years to the study of new ventures, in retrospect, even my dissertation itself appears like a new venture to me: Like most other ventures, also my dissertation initially consisted of little more than a diffuse idea. Over time, then, as 'dissertation-entrepreneur', it was my task to refine and clarify this idea and to secure the resources that were decisive for growing it into something meaningful and legitimate. Hence, and as scholarship on new ventures suggests, also the development of this venture was not primarily enabled by any kind of personal genius on the side of the entrepreneur but rather by the institutions and people that have embedded and supported me. Let me thus seize the opportunity to express my deepest gratitude to each of them. Without them, the past four years would not have been as enjoyable, fruitful, and smooth as they were.

For their expert guidance, I thank the following scholars:

- Claus Jacobs, the principal advisor of this dissertation, guided the evolution of this research project in a superb and farsighted way. Claus provided all his trust and support in order to help me create and manage a research agenda which I still find truly fascinating. Moreover, Claus outlined for me what it means to be an accomplished academic *and* a citizen. Our close collaboration has been extremely insightful and rewarding for me; I'd be very happy to continue and deepen it in the years ahead.
- Steven Floyd, the co-advisor of this dissertation, has been another academic role-model for me. With his intellect and tolerance, Steve has been exemplifying for me – as well as for an entire generation of scholars – what sound reasoning is about and how to provide peers with the critical yet constructive feedback their efforts deserve.
- Eero Vaara, my external advisor, has repeatedly helped me set direction for my research and to detect its flaws. Eero has been an invaluable source of knowledge and inspiration. In retrospect, he seems to always have been several steps ahead of my thinking.

- Ekkehard Kappler, my mentor, has enabled me to come to St. Gallen. In Innsbruck, with all his energy and wisdom, Ekkehard set many of those categories and oppositions that have profoundly and lastingly shaped my thinking ever since.
- Christoph Lechner, Joep Cornelissen, Michael Lounsbury, and Paula Jarzabkowski have provided me with insights and suggestions that proofed decisive for the overall development of my research.

For providing access to critical resources, I thank the following institutions:

- The Swiss National Science Foundation has generously funded my research.
- The University of St. Gallen – and especially its Institute of Management (IfB) – has provided me with a superb academic infrastructure.
- My research partner organization (anonym) – and especially its founding manager RM – has granted access to fascinating data.

For their continued encouragement and support, I thank my colleagues, friends, and family:

- My colleagues at the University of St. Gallen – Carola Wolf, Janice Spiess, Karin and Markus Kreutzer, Markus Schimmer, Michael Boppel, Stephanie Grubenmann, Sven Kunisch, and Tim Lehmann – have made a significant contribution to making the past 4 years as smooth and enjoyable as they were. I am very grateful for their friendship, collegial advice, and our joint adventures.
- Three companions – Stefan Larcher, Thomas Mackinger, and Andreas Sailer – have accompanied me (in person and/or in mind) almost as long as I can remember. They have ensured that I do not lose the ground underneath my feet and that I remain somehow open to the larger things in life that wait beyond the office doors. I cannot thank them enough.
- My family – my mother Eva, my father Eduard, and my godmother Brigitte – have given me endless amounts of love and dedication – during the past 4 years and throughout my whole life. Without them, I would not be who and where I am today. While it was sometimes hard to be several hours away from my family, I have strived to carry their love, care and charm with me in my life and work. I do hope this has been visible.

Oftentimes, however, there is one person that exerts a lasting influence on a new venture. In this case, my girlfriend Emma has had this 'imprinting effect' on my dissertation and – even more so – on myself. Her input has greatly sharpened and expanded my thinking. And the radical ups and downs we mastered have literally bonded us together. During the past 4 years, Emma has become a colleague I admire, a friend I trust, and the partner I love. I dedicate this dissertation to her.

St. Gallen, December 2012 Florian Überbacher

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

ABSTRACT

English. This dissertation furthers scholarly understanding of the role of legitimacy for new ventures – a topic of longstanding interest to scholars in the fields of research on organization theory and strategy, entrepreneurship, and sociology. New ventures comprise independent as well as corporate ventures in their first years of existence. The judgment of a new venture's legitimacy – that is, of its appropriateness, acceptability, and/or desirability – among the venture's external audiences (including such resource-holders as investors, consumers, governmental authorities, or prospective employees and partners) serves as central asset for a new venture to acquire the resources it desperately requires for growth, survival and persistence in the market it entered.

The dissertation proceeds as follows: Chapter 1 provides the conceptual definitions which the dissertation's theoretical arguments subsequently build upon. The chapter also focuses the dissertation specifically on 'normative legitimation', that is, on the processes and strategic actions involved when a new venture aims to acquire 'normative legitimacy' (i.e. alignment with the norms and values of a targeted audience) in order to propel its chances of survival. The chapter points to 2 critical gaps in the literature on normative new venture legitimation and deduces 2 according research questions. In chapter 2, a thorough literature review further substantiates the relevance of these research questions. They will subsequently be addressed in the chapters 3 and 4 respectively. Chapter 5 concludes the dissertation with a discussion of theoretical findings and their main contribution, that is, the elaboration of a detailed perspective on the antecedents, processes, and outcomes of normative new venture legitimation.

Deutsch. Diese Dissertation befasst sich mit der Rolle von Legitimität für sogenannte ‚New Ventures' – ein Thema von anhaltender Relevanz in den Forschungsrichtungen Organisationstheorie und Strategie, Unternehmertum, und Soziologie. New Ventures sind definiert als Organisationen – entweder unabhängige Organisationen oder Tochtergesellschaften – in den ersten Jahren nach Gründung und Markteintritt. Legitimität – das Urteil von aktuellen und zukünftigen Anspruchsgruppen (z.B. von Konsumenten, Investoren, Partnern, oder öffentlichen Ämtern) über die Akzeptanz, Angemessenheit und Wünschbarkeit eines New Ventures – ist besonders wichtig für New Ventures, da es ihnen den Zutritt zu den Ressourcen ihrer Anspruchsgruppen erleichtert und damit ihr Überleben ermöglicht.

Die Arbeit ist wie folgt gegliedert: Kapitel 1 erarbeitet Definitionen jener Konzepte, auf die diese Dissertation anschliessend aufbaut. Dabei fokussiert es die Dissertation insbesondere auf die ‚normative Legitimation' eines New Ventures und damit auf jene Prozesse und strategischen Handlungen eines New Ventures, die deren normative Legitimität (d.h. die Anschlussfähigkeit eines New Ventures an die Normen und Werte einer Anspruchsgruppe) sicherstellen sollen. In diesem Zusammenhang weist das Kapitel auf 2 wichtige theoretische Lücken in der Literatur hin und erarbeitet 2 entsprechende Forschungsfragen. Im Kapitel 2 wird die Wichtigkeit dieser beiden Forschungsfragen durch eine systematische Analyse der relevanten Literatur weiter abgestützt. Diese Forschungsfragen werden anschliessend in den Kapiteln 3 und 4 ausführlich adressiert. Abschliessend verschafft Kapitel 5 eine Übersicht über die erzielten Forschungsergebnisse und beendet die Arbeit mit einer Diskussion ihres wichtigsten theoretischen Beitrags, nämlich der Erarbeitung einer detaillierten Perspektive auf Voraussetzungen, Prozesse und Folgen der normativen Legitimation eines New Ventures.

AS IF

1. INTRODUCTION TO DISSERTATION

Abstract. This chapter introduces the reader to the focal topic of this dissertation and thus to the central relevance of legitimacy for new ventures. After defining the central concepts that this dissertation builds on, the 2 central research foci of this dissertation and its 2 according research questions are deduced from a brief review of the existing literature. These research foci and research questions will then be further elaborated, addressed, and discussed in the dissertation’s subsequent chapters.

1.1. THE RELEVANCE OF LEGITIMACY FOR NEW VENTURES

Studying new ventures has been an important research focus for a long tradition of scholars across the generic disciplines of organization theory, strategy, entrepreneurship, and sociology. New ventures comprise independent start-ups as well as corporate ventures in their first 5 years of existence (e.g. Zimmerman & Zeitz, 2002). These 5 years can encompass such phases as venture creation, market entry, as well as early growth and development. According to a number of entrepreneurship scholars (e.g. Gartner, 1985), the successful creation and growth of a new venture is both the embodiment and the epitome of entrepreneurial activity: With their new ventures, entrepreneurs aim to exploit newly discovered and enacted opportunities (Alvarez, Barney, & Anderson, 2012) either by creating at all new markets for those goods they offer with their new ventures or by leading to innovation and differentiation in existing and more mature markets (Aldrich & Ruef, 2006). If successful, new ventures are thus a core mechanism for change in or even for radical transformation of our market landscapes.

According to a number of organization theorists and sociologists, however, most new ventures do not get as far. Rather and according to some classic institutional theory- and population ecology-treatises, new ventures tend to suffer from a number of so-called 'liabilities' that make them highly vulnerable and prone to early failure – including their 'liability of newness' (cf. Stinchcombe, 1965), their 'liability of adolescence' (cf. Bruederl & Schuessler, 1990) and their 'liability of smallness' (cf. Freeman, Carroll & Hannan, 1983). Collectively, these liabilities follow from new ventures' oftentimes insufficient endowments with and access to scarce yet urgently needed resources. Hereby, resources tend to be defined broadly and include all kinds of financial resources (e.g. investments, turnover), human resources (e.g. qualified staff), material resources (e.g. facilities) as well as other tangible and intangible assets of critical relevance to a new venture.

To characterize those new ventures that overcome their liabilities, a number of highly cited articles have turned to the concept of legitimacy (e.g. Aldrich & Fiol, 1994; Singh, Tucker & House, 1986; Stinchcombe, 1965; Zimmerman & Zeitz, 2002). For instance, already Stinchcombe (1965: 241-242) had noted that the legitimacy that most established organizations have already obtained may be "one of the most important resources" for new ventures to achieve "consent of those outside [the new venture] whose consent is essential" (i.e. key resource-holders) in order to overcome their liability of newness. And in a related way, also institutional theorists hold that legitimacy provides an organization with a reservoir of trust and support among external resource-holders which in turn facilitates the organization's access to scarce resources and thus its survival and persistence (e.g. Meyer & Rowan, 1977). Not least from an institutional perspective, legitimacy is thus conceived as *the single most important aspect for new venture growth and survival* (e.g. Zimmerman & Zeitz, 2002).

1.1.1. The Concept of Legitimacy

But the concept of legitimacy is not bound to institutional theory. As a fundamental component of social judgment and of social control (Bitektine, 2011), it also appears center stage in other perspectives that provide answers to how 'actors' (i.e. individuals, groups, organizations, etc.) deal with, survive within, or escape from the constraints of their social and cultural environments – including population ecology (Hannan & Freeman, 1989), social network theory (White, 2008), resource dependence theory (Pfeffer & Salancik, 1978), cultural theory (Weber & Dacin, 2011), discourse analysis (Vaara & Monin, 2010), impression management theory (Goffman, 1959) and social psychology (Tost, 2011). While several definitions of the concept have evolved across these perspectives (see Table 1-1), scholars would generally agree that *a new venture is legitimate when it appears consistent with the beliefs, norms, and values that are shared in its social and cultural environment and when its audiences consider it appropriate, acceptable, and/or desirable* (e.g. Suchman, 1995; Johnson, Dowd & Ridgeway, 2006; Zimmerman & Zeitz, 2002).

Whether a new venture is considered 'legitimate' is a matter (1) of the *audiences* that scholars focus on as well as (2) of the *legitimacy dimensions* and (3) of the *features* of new ventures they include in their analyses: For the first, explored *audiences* tend to be those "who have the capacity to mobilize and confront" the venture (Deephouse & Suchman, 2008: 54) including potential and actual resource-holders (investors, consumers, staff etc.), other industry participants (e.g. Aldrich & Fiol, 1994), regulators and certification authorities (e.g. Sine, David & Mitsuhashi, 2007), the media (Pollock & Rindova, 2003) or society at large (e.g. Hiatt, Sine & Tolbert, 2009). For the second, frequently studied *legitimacy dimensions* include the new venture's regulative legitimacy (its alignment with rules and laws), its normative legitimacy (its alignment with cultural norms and values), and its cognitive legitimacy (its alignment with dominant ideas and beliefs) (cf. Scott, 2007; Zimmerman & Zeitz, 2002). For the third, *features* of new ventures that are frequently assessed for their legitimacy comprise the venture's structures and policies (e.g. Meyer & Rowan, 1977), the experience of its founder and top management (e.g. Packalen, 2007), the quality of its inter-organizational relationships (Stuart, Hoang & Hybels, 1999), or the type of its industry and sector (e.g. Baum & Oliver, 1991).

Table 1-1: Definitions of Legitimacy (time-ordered)

Definitions	Theoretical Perspectives	Reference
Congruence with "the norms of acceptable behavior in the larger social system"	Resource Dependence Theory	Dowling & Pfeffer (1975: 122)
Adoption of formal structures that are rationalized and institutionalized in a given domain of work activity	Institutional Theory	Meyer & Rowan (1977: 345)
Array of established cultural accounts that "provide explanations for the existence" of an organization	Cultural Theory, Discourse Analysis	Meyer & Scott (1983: 201)
"Social fitness"	Institutional Theory, Resource Dependence Theory	Oliver (1991: 160)
"A generalized perception that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions"	Institutional Theory, Resource Dependence Theory	Suchman (1995: 574)
"The endorsement of an organization by social actors"	Institutional Theory, Social Network Theory	Deephouse (1996: 1025)
"A social judgment of appropriateness, acceptance, and/or desirability"	Institutional Theory	Zimmerman & Zeitz (2002: 416)
"The construal of a social object as consistent with cultural beliefs, norms, and values that are presumed to be shared by others in the local situation and perhaps more broadly by actors in a broader community"	Institutional Theory, Social Psychology	Johnson, Dowd & Ridgeway (2006: 57)
"Deference or obedience to authorities or rules"	Institutional Theory, Social Psychology	Tost (2011: 8)

Expanded and adapted from Bitektine (2011)

1.1.2. Legitimacy versus Legitimation

It is important to distinguish *legitimacy* as a *property* of a new venture which is conferred by its audiences from the *legitimation process* which connotes the actual *process* and *practices* of acquiring legitimacy (as potential *outcome*) between managers of a new venture[1] and their audiences (e.g. Bitektine, 2011; cf. Vaara &

[1] Depending on the specialized vocabulary of the generic disciplines to which scholars commit themselves, the *leaders and members' of new ventures* have received different names: Entrepreneurship scholars tend to call them "entrepreneurs" , many sociologists call them "founders", and strategy scholars tend to call them "top managers", "managers", or "executives". For reasons of connectivity to …

Monin, 2010). This distinction is critical because, as new entrants to given market environments, most new ventures are not yet familiar and legitimate to their resource-holders. Moreover, most new ventures *cannot conform* to their audiences' pre-existing norms and values: This may be due to their inherent lack of track-records and ties to high status organizations that their resource-holders might expect (e.g. Higgins & Gulati, 2003) or because the new ventures may not (yet) have an understanding of the 'recipes' that the markets they entered demand (cf. Stinchcombe, 1965). Finally, many new ventures *do not want to conform* to dominant beliefs and understandings, because – when regarded as entrepreneurial endeavors – they are by definition a means of emancipation from the status quo (Rindova, Berry & Ketchen, 2009). In order to acquire legitimacy and to overcome their liabilities, managers may then have to mobilize legitimation strategies that weed out these inherent legitimacy deficits of their new ventures when facing and interacting with targeted resource-holders. In this regard, we[2] define a *legitimation strategy* most generally as a *legitimation practice that is purposive and calculated* (Suchman, 1995: 576).

1.2. MOTIVATION AND FOCUS: TOWARD PROCESS THEORIES OF NORMATIVE NEW VENTURE LEGITIMATION

In the following we narrow down the vast existing field of study on the role of legitimacy for new ventures in order to derive the 2 specific research gaps that this dissertation aims to address.

1.2.1. The Field of Research: 4 Research Trajectories

A systematic review of the literature on the role of legitimacy for new ventures (cf. Chapter 2) uncovers 4 central research trajectories across the generic disciplines of

all these disciplines, the leaders and members of new ventures are referred to as "*managers*" throughout the dissertation.

[2] The use of "we" is editorial. The document is single-authored.

organization theory and strategy, entrepreneurship and sociology as well as across the variously employed source-theories such as institutional theory, social network theory and others: Each of the 4 trajectories is determined by scholars' assumed *degree of agency* of new ventures (low/high) and the explored *level of analysis* (individual new venture/collectives of new ventures - mostly on the level of an industry). As follows, these trajectories are: (1) 'Legitimate New Venture Characteristics' (low/new venture) focusing on new venture characteristics that yield legitimacy, (2) 'Legitimate Industry Characteristics' (low/collective) focusing on industry characteristics that yield legitimacy for a new venture, (3) 'New Venture Legitimation Strategies' (high/individual) focusing on the strategic practices of new venture managers to acquire legitimacy for their new ventures, and (4) 'Industry Legitimation Strategies' (high/collective) focusing on the strategic practices of collectives of new ventures to acquire legitimacy for their (typically emerging) industry.

1.2.2. Focus on Process-Perspectives of New Venture Legitimation (Trajectory 3)

As *trajectory 3* (New Venture Legitimation Strategies) has attracted wide-spread attention recently, we chose to situate the overall focus of the dissertation within this trajectory to benefit from this attention and to further refine scholarly understanding of how new ventures aim to acquire legitimacy in ways that are "purposive, calculated" and ideally controlled (cf. Suchman, 1995: 576). In this regard, we uncovered that prior research in trajectory 3 has predominantly studied which patterns of legitimation strategies work for managers in order to acquire legitimacy in and resources from targeted resource-holders (e.g. Lounsbury & Glynn, 2001; Navis & Glynn, 2011; Zott & Huy, 2007). Those who concentrated on how managers mobilize discursive legitimation strategies have, for instance, shown which of their stories are most successful in winning the cultural support of their resource-holders (e.g. Lounsbury & Glynn, 2001; Martens, Jennings & Jennings, 2007; Navis & Glynn, 2011).

And those who explored other forms of legitimation strategies have advanced that successful new venture managers may be highly skillful in highlighting their personal credibility, the achievements and professional nature of their venture, or the prestige of their venture's existing stakeholder relationships (Clarke, 2011; Zott & Huy, 2007).

These studies have been important and groundbreaking in beginning to lay out systematic patterns and relationships around the phenomenon of new venture legitimation. Altogether, however, these studies were not designed to provide temporally embedded accounts on how these patterns come to be (cf. Langley, 2007: 273). The overall motivation that came to guide this dissertation is thus to develop *fine-grained process perspectives on new venture legitimation*. As first step in this direction, we focus on

RESEARCH FOCUS 1: How New Venture Legitimation Strategies *Evolve*

RESEARCH FOCUS 2: How New Venture Legitimation Strategies *are formed*

1.2.3. Focus on Normative New Venture Legitimation Strategies

In our review, we further distinguish each of the 4 research trajectories according to the *types of legitimacy* explored – i.e. regulative, normative, and cognitive legitimacy (Scott, 2007; cf. Ruef & Scott, 1998; Zimmerman & Zeitz, 2002). Within trajectory 3 (i.e. New Venture Legitimation Strategies), we chose to focus our dissertation in particular on *normative* new venture legitimation strategies (i.e. how new ventures aim to achieve *alignment with the norms and values in the cultural environment of their resource-holders*) to add further specificity to our research projects.

According to Scott (2007), the regulative, the normative, and the cognitive constitute the 3 dominant 'pillars' that enable and constrain social action and interaction. Within the normative pillar that we focus on, a particular emphasis is placed "on normative rules that introduce a prescriptive [and] evaluative […] dimension into social life. Normative systems include both values and norms" (Scott, 2007: 54): Norms define how things should be *done* while values define how things should *be* (cf. March & Olsen, 1984). Normative systems, which are frequently referred to as "institutional logics" (cf. Thornton, Ocasio, & Lounsbury, 2012), thus shape appropriate means and ends for actors and organization in a given socio-cultural environment.

To illustrate these considerations, we draw on a brief example of a public sector outsourcing-venture which we have been studying (cf. chapter 3): As public sector outsourcer, the new venture faces public sector organizations as resource-holders whose institutional logic requires them to aim for *maximizing public welfare* (rather than, e.g. profit maximization) in their specific geographical area (as *value*) when tendering for a public sector outsourcing contract. To acquire the contract (and thus urgently needed resources), the new venture thus has to appear (at least somehow) aligned with the *public welfare value* of their resource-holders. Moreover, resource acquisition attempts of the public sector outsourcing venture also have to adhere to detailed contract bidding processes (as *norms*) which the resource-holding public sector organizations prescribe in order to secure that their values and interests are met.

As this illustration depicts, values and norms are the decisive components of the institutional logic (cf. Thornton, Ocasio, & Ocasio, 2012) of resource-holders to which a new venture needs to adapt in order to acquire normative legitimacy and scarce resources. As follows, a new venture obtains normative legitimacy when it appears aligned with the norms and values of its resource-holders (Johnson, Greve, & Fujiwara-Greve, 2009; Ruef & Scott, 1998) and when they thus consider the venture's apparent intentions and actions as "the right thing to do" (Suchman, 1995: 579). Hence normative legitimacy is theorized to follow from a resource-holder's active evaluation of a focal venture (cf. Bitektine, 2011).

Prior research on how organizations aim to strategically acquire normative legitimacy has particularly drawn from perspectives of impression management and symbolic management (for new ventures: Aldrich & Fiol, 1994; Zott & Huy 2007; for other contexts: e.g. Elsbach, 1994; Westphal & Zajac, 1994): Impression management is defined as involving managers' purposeful attempts to construct an identity for their new venture that will be regarded positively by their target audience (e.g. Elsbach & Kramer, 1996). And symbolic actions are attempts of an organization to 'appear' consistent with values and interests in the cultural environment of targeted resource-holders while pursuing its own, divergent values and interests (Ashforth & Gibbs, 1990). As follows, symbolic management can thus be regarded as a specific aspect of impression management (cf. Gardner & Avolio, 1998; Goffman, 1959) although both terms are also frequently employed in an interrelated way (e.g. Westphal & Graebner, 2010, for a review). Using symbolic management- and impression management perspectives as analytical lenses, we thus geared our 2 research foci specifically towards addressing the following two conceptual shortcomings in the literature on normative new venture legitimation[3]:

THEORETICAL GAP 1: The dominant focus on new ventures' "*symbolic management*" has led to a relative neglect of new ventures' "*substantive management*" (cf. Ashforth & Gibbs, 1990) – addressed within RESEARCH FOCUS 1.

THEORETICAL GAP 2: The dominant focus on the "*front-stage*" of new ventures' *impression management* has led to a relative neglect of the "*back-stage*" of new ventures' impression management (cf. Goffman, 1959) – addressed within RESEARCH FOCUS 2.

[3] These two omissions are also elaborated in extensive detail in the section "*Normative legitimacy and legitimation of new ventures and industries*" in the „*Towards a program for future research*"-section of chapter 2 (cf. chapter 2.6.1.).

1.2.4. Research Focus 1: How Normative New Venture Legitimation Strategies Evolve[4]

For the first, in their attempts to acquire resources and survive, new ventures may acquire normative legitimacy through *symbolic* legitimation practices (i.e. in a way that enables the venture to pursue its own, divergent interests and to preserve its resources) or through *substantive* legitimation practices (i.e. in a way that compromises the venture's own interests and resources) (cf. Ashforth & Gibbs, 1990). On the one hand, a number of institutional theory-minded studies have concentrated on the symbolic actions new ventures mobilize to acquire legitimacy (e.g. Aldrich & Fiol, 1994; Lounsbury & Glynn, 2001; Zott & Huy, 2007). They have even characterized new ventures as "skillful symbolic operators" (Lounsbury & Glynn, 2001; Rao, 1994) – perhaps already at the time of creation and market entry.

On the other hand, however, cultural theorists would question such skillful symbolic ability of new ventures. They would rather point out that new ventures, as new entrants to a given cultural environment, may experience a "culture shock" (e.g. Swidler, 1986) and that they may only gradually receive the "symbolic influence" from their new cultural environment that may enable them to acquire legitimacy symbolically (e.g. Barley, Meyer, & Gash, 1988). To resolve this ambiguity that has emerged between institutional and cultural explanations, a study on the actual *evolution* of a new venture's legitimation practices will be particularly fruitful. In this regard, we aim to address the dissertation's first research question in order to elaborate existing theory:

[4] Please note that we explore *symbolic* and *substantive* legitimation practices (cf. Ashforth & Gibbs, 1990) in this chapter! Symbolic legitimation involves gaining an appearance of normative legitimacy while pursuing one's own divergent interests and substantive legitimation involves full (rather than symbolic) conformance to the legitimacy criteria of resource-holders (ibid.). As symbolic legitimation has been frequently referred to as a "*highly strategic*" legitimation practice (e.g. Crilly, Zollo, & Hansen, 2012, for a review) whereas substantive legitimation has been referred to as "*the least strategic*" legitimation practice (e.g. Zimmerman & Zeitz, 2002: 423), we thus explore legitimation *practices* rather than legitimation *strategies* in this study.

RESEARCH QUESTION 1: How do the legitimation practices of a new venture evolve across repeated resource acquisition attempts? [5]

1.2.5. Research Focus 2: How Normative New Venture Legitimation Strategies are formed

For the second, we seem to already have a reasonably good understanding of the patterns of strategic action that elicit impressions of a new venture's normative legitimacy in target audiences (e.g. Zott & Huy, 2007). Yet, these studies did not account for how managers of new ventures *develop* these legitimation strategies *before* they deploy them when facing their target audiences. This is a significant omission in the literature, since managers of the most successful new ventures tend to devote considerable time and effort to preparing and creating their legitimation strategies (e.g. Hargadon & Douglas, 2001; Santos & Eisenhardt, 2009).

Drawing on the theoretical perspective of impression management, we focus on discursive '*legitimating narratives*' as specific modality and type of legitimation strategy (cf. Elsbach, 1994): Legitimating narratives are written documents or oral accounts deployed by actors to explain the nature and potential of their organization in a coherent and ordered manner (cf. Martens et al., 2007; Elsbach, 2006). Legitimating narratives are critical for new ventures because they underlie their business plans, investment proposals, or contract bids (cf. Lounsbury & Glynn, 2001). Impression management theory has coined the distinction between *front-stage* and *back-stage* (cf. Goffman, 1959): Front-stage refers to the temporal and spatial area where managers will *deploy* legitimation strategies in general and legitimating narratives in particular when facing a targeted audience while "back-stage" refers to the area where managers may *create* a legitimating narrative remote from the view of their target audience *before* its actual deployment. In light of these definitions, we thus aim to address the following second research question:

[5] For reasons of convenience and readability, we refer to "normative legitimacy" as "legitimacy" throughout this study.

RESEARCH QUESTION 2: How do managers create a legitimating narrative at the back-stage of their new venture?

1.3. OUTLINE OF DISSERTATION

We aim to address these two research questions in the following way and across the following chapters:

CHAPTER 2 aims to build a more rigorous foundation for this dissertation by comprehensively reviewing prior literature on the role of legitimacy for new ventures. This is done through a systematic data base survey of articles in journals with the consistently highest impact factors in the relevant research domains of organization theory and strategy, entrepreneurship, and sociology. The 54 studies that this survey yielded have been carefully analyzed in order to distill core findings, to carve out its 4 main research trajectories, and to point to critical future research directions.

CHAPTER 3 addresses RESEARCH QUESTION 1 of this dissertation, that is, *how legitimation practices of a new venture evolve across repeated resource acquisition attempts*. We draw on qualitative research methods in general (cf. Miles & Huberman, 1994) and the longitudinal study of a new corporate venture in an established public sector outsourcing market in particular. The aim of this chapter is theory elaboration (cf. Bluhm, Harman, Lee & Mitchell, 2011), in order to achieve a convincing integration of institutional and cultural perspectives on normative new venture legitimation.

CHAPTER 4 subsequently addresses RESEARCH QUESTION 2 of this dissertation, that is, *how managers create a legitimating narrative at the back-stage of their new venture*. Chapter 4 builds theory deductively. As is typical for this genre, two established theoretical perspectives are juxtaposed to create novel insights. Specifically, we draw on the bodies of research on impression management (e.g. Elsbach & Kramer, 1996; Goffman, 1959) and on the processing of analogies (e.g.

Gentner, 2003; Holyoak, 2005) – both widely applied in the study of new venture legitimation (e.g. Cornelissen & Clarke, 2010; Zott & Huy, 2007) – to develop theory on the processes involved in the creation of a legitimating narrative.

CHAPTER 5 concludes this dissertation by reviewing its main findings and by discussing their contribution to the literature.

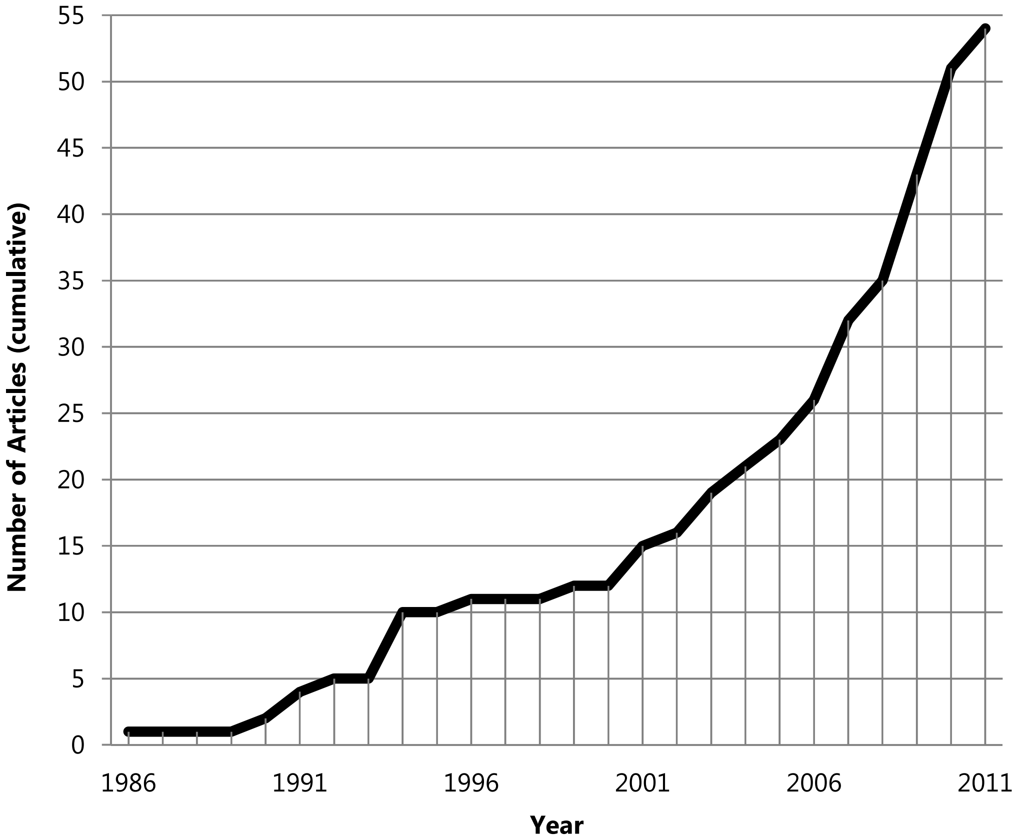
2. THE LEGITIMACY OF NEW VENTURES: A REVIEW AND RESEARCH PROGRAM

Abstract. Perceptions of legitimacy among key resource-holders have been established in the literature as decisive for new ventures to acquire resources, grow, and survive. Due to the plethora of perspectives on the concept of legitimacy and its wide-spread interest in recent research, in this chapter, we conduct a systematic review of how the concept of legitimacy has been applied in existing new venture research. We uncover 4 dominant research trajectories in this field of research and show how scholars have drawn on different theories and different conceptions of legitimacy to further our understanding of processes and outcomes within these trajectories. We conclude the chapter by highlighting a program of future research opportunities. Two of these research opportunities constitute the dissertation's THEORETICAL GAP 1 and THEORETICAL GAP 2 (as outlined already in chapter 1) which we address subsequently in the chapters 3 and 4 respectively.

2.1. INTRODUCTION

A new venture is legitimate when it appears consistent with the beliefs, norms, and values that are shared in its social and cultural environment and when its audiences consider it appropriate, acceptable, and/or desirable (e.g. Suchman, 1995; Johnson, Dowd & Ridgeway, 2006; Zimmerman & Zeitz, 2002). The particular role of legitimacy for new ventures has been an important area of research in such disciplines as entrepreneurship, organization theory and strategy, or sociology. These disciplines converge on and operate from the assumption that new ventures tend to suffer from the liabilities of their newness, adolescence, and smallness thus repeatedly failing to acquire the scarce resources necessary for their survival (cf. Bruederl & Schuessler, 1990; Freeman et al., 1983). To overcome their liabilities, a number of important and highly-cited studies content that legitimacy is the most important resource for new ventures (time-ordered: e.g. Stinchcombe, 1965; Singh et al., 1986; Baum & Oliver, 1991; Aldrich & Fiol, 1994; Lounsbury & Glynn, 2001; Zimmerman & Zeitz, 2002; Pollock & Rindova, 2003; Higgins & Gulati, 2003; 2006; Delmar & Shane, 2004; Zott & Huy, 2007). According to these scholars, legitimacy creates trust and willingness to support in resource-holders, thus easing new ventures' access to their resources and in turn increasing their chances to grow, perform, and survive. Given its dramatic importance for new ventures, how new ventures benefit from their legitimacy or how they gain legitimacy from their various resource-holders (such as investors, consumers, personnel) and other relevant audiences has been explored in a large number of studies over the last 25 years. Moreover, as Figure 2-1 indicates, these topics currently enjoy massive and wide-spread popularity with more than half of the field's currently 54 articles published in the last 5 years (between 2006-2011).

Figure 2-1: Cumulative Number of Articles (1986-2011)[6]



Yet, the concept of legitimacy offers scholars a plethora of perspectives, choices, and options. It can thus be – and indeed has been – applied in a variety of different ways to explore the characteristics of and the dynamics around new ventures. Expected variety in the literature relate for instance to the *theoretical perspectives* selected to study the legitimacy of new ventures: While the explorations of the legitimacy concept have generally evolved in tight connection with institutional theory (c.f. Deephouse & Suchman, 2008), the concept also appears center stage in a number of further theoretical perspectives, including population ecology (cf. Hannan & Freeman, 1989), cultural and discursive perspectives (cf. Weber & Dacin, 2011), resource dependence theory (Pfeffer & Salancik, 1978) or social network theory (cf. White, 2008). Moreover, a variety of widely applied *legitimacy typologies* exists (e.g. Aldrich

[6] Please proceed to the method section for details on the research domains, journals, search terms, and time period that underlie the numbers in Figure 2-1.

& Fiol, 1990; Scott, 2007; Suchman, 1995) which can be drawn on to further detail and differentiate new ventures' legitimate characteristics and their legitimation attempts. Additional variation can also be expected in the literature with regard to the explored *subjects of legitimacy*. While "possible subjects of legitimation are almost innumerable" (Deephouse & Suchman, 2008: 54), in the case of new ventures, they may include the new ventures' identities, policies and strategies, products and services, founders and top managers, relations to other actors and organizations, or even the whole industries they aim to populate and cultivate.

Given these and further distinctions that the concept of legitimacy enables and given the soaring numbers of articles on new venture legitimacy, we believe that scholars will clearly benefit from more explicit guidance on what we have already learned on the role of legitimacy for new ventures and what still remains to be explored. While prior reviews have already hinted at the role of legitimacy for new ventures (Bruton & Ahlstrom, 2010; Tolbert et al., 2011), with their exclusive commitment to institutional theory, their picture has remained partial as they were unable to account for the full diversity of applications of the legitimacy concept in new venture research. Our aim is thus to provide a comprehensive review of this literature in order to carefully distill its core findings, to carve out its main research trajectories, and to point the field to potential future research directions. The question that guided both our review and the remainder of this chapter was thus: How has the concept of legitimacy been applied in prior research on new ventures?

Hence, the remainder of this chapter is organized as follows: After an expanded theoretical background on the role of legitimacy for new ventures, we detail our methods for the inclusion and analysis of the existing literature. Based on a careful examination of the literature according to a number of critical distinctions, we then show how the field has contributed to the advancement of *four main research trajectories* for studying the role of legitimacy for new ventures. Within each of these trajectories, we subsequently outline crucial findings thus providing a map of the current intellectual structure of this field of research. Finally, we invite scholars to uncover underexplored areas of research in this field thus distilling a program of relevant future research directions.

2.2. BACKGROUND: THE ROLE OF LEGITIMACY FOR NEW VENTURES

2.2.1. New Ventures and their Liabilities

New ventures comprise independent startups as well as corporate ventures in their first years after creation and market entry (e.g. Gartner, 1985; Romanelli, 1989; Zimmerman & Zeitz, 2002). The study of new ventures has been both a popular and important focus in organization theory and strategy, in entrepreneurship research, as well as in sociology. According to these literatures, new ventures suffer from a number of 'liabilities' that may delimit their chances of survival. Underlying these liabilities is the assumption that, in their environments (i.e. niches, markets, sectors, countries, etc.), new ventures need to compete against other new entrants and established organizations for scarce resources. Based on this assumption, how new ventures acquire scarce resources – such as investment, qualified staff, a customer base, or facilities – has become a most important focus to explain new venture creation, survival, growth, or wealth creation.

Coming back to these 'liabilities' of new ventures, a large number of studies has explored new ventures' "liability of smallness" (cf. Freeman, Carroll & Hannan, 1983), indicating on the one hand that new ventures suffer from their typically small size and insufficient resource base, and on the other, that those ventures founded with sufficient size and resources enjoy positive feedbacks in the resource accumulation process where the initial advantage cumulates over time. Other researchers have in turn challenged this view by exploring new ventures' "liability of adolescence" (cf. Bruederl & Schuessler, 1990) thus arguing that while ventures are typically founded with sufficient resource endowments, these endowments may dissipate quickly as new ventures may not be able to perform adequately in their chosen market environments.

Among the studies of new ventures and their potential liabilities, however, Arthur Stinchcombe's (1965) early article on "Social Structure and Organizations" – one of the most cited studies in the history of organization theory and organizational sociology – continues to be perhaps the most impactful and influential. Among the general theses that Stinchcombe (1965) outlines, his postulate of new ventures' "liability of newness" implies a higher propensity of new organizations to fail and disband than of established organizations. For Stinchcombe (1965), this liability of newness has two primary origins – one internal to the venture and the other external. For the former, new ventures face the difficult task of inventing and coordinating new organizational roles among potential strangers while these structures tend to be more efficient and calibrated in established organizations. For the latter, established organizations can already rely on a stable set of ties to customers which new ventures potentially lack.

While Stinchcombe's arguments on the role of external ties led to an impressive and highly impactful research program on how new ventures' social networks to actual or potential resource-holders affect new venture outcomes (e.g. Shane & Stuart, 2002; Stuart et al., 1999; Wiewel & Hunter, 1985), Stinchcombe (1965: 241-242) also remarked that the *legitimacy* that most established organizations have already obtained may be "*one of the most important resources*" (emphasis added) for new ventures to overcome their liability by achieving "consent of those outside whose consent is essential". Subsequently, in perhaps the first statistical treatment on new ventures' legitimacy, Singh, Tucker, and House (1986) further investigated Stinchcombe's (1965) thesis and found that new ventures' legitimacy significantly depresses their mortality rates while the ventures' internal characteristics they examined were unrelated. The authors thus concluded that legitimacy may in fact be *the most important resource* for a new venture to survive and Zimmerman and Zeitz

(2002) subsequently argued that legitimacy may be even regarded as a *meta-resource* for new venture growth and prosperity. We thus turn to an in-depth overview of the legitimacy-concept to create a basis for our subsequent assessment of prior research on the role of legitimacy for new ventures.

2.2.2. The Concept of Legitimacy: A Plethora of Perspectives and Potential Applications

At least since Max Weber's (1947) foundational treatise, the concept of legitimacy has been of fundamental interest to management and strategy scholars and to the social sciences more broadly. Similar to status or reputation, legitimacy has been conceived as fundamental component of social judgment (Bitektine, 2011) and involves the "perception or assumption that the actions of an entity are desirable, proper, or appropriate" according to norms and understandings (Suchman, 1995: 574) which are "presumed to be shared by others in the local situation and perhaps more broadly by actors in a broader community (Johnson, Dowd, & Ridgeway, 2006: 57). Legitimacy has thus been conceived as providing organizations with trust and support thus easing their access to scarce resources and promoting their survival and persistence (e.g. Meyer & Rowan, 1977). Due to their particular dependence on these scarce resources, legitimacy is thus of prototypical relevance for new ventures.

The concept of legitimacy occupies a central role in a large variety of theories that explore how the 'embeddedness' of actors in social and cultural settings enables and constrains their actions and outcomes. Legitimacy thus figures prominently in such paradigms as institutional theory (Scott, 2007), population ecology (Hannan & Freeman, 1989), cultural and discursive perspectives (Weber & Dacin, 2011; Vaara & Tienari, 2011), social network theory (White, 2008), resource dependence theory (Pfeffer & Salancik, 1978), impression management perspectives (Goffman, 1959), social movement theory (Benford & Snow, 2000) or stakeholder theory (Donaldson & Preston, 1995). In turn, and on a more micro level of analysis, also cognitive and psychological perspectives have developed which aim to explore actors' legitimacy judgements, how they take show, and how they change (cf. Tylor, 2006, Tost, 2011).

Across these theoretical disciplines, the potential *subjects* of resource-holders' legitimacy judgments are almost endless and may, in the case of new ventures, include its organizational form and identity, its organization structure, its abstract policies and concrete actions, the shape and value of their products/services, its founder and personnel, or even its ties to other organizations and actors. Moreover, also the potential *sources* of a new venture's legitimacy are manifold. Most generally, they will include "the internal and external audiences … who have the capacity to mobilize and confront the organization" (Deephouse & Suchman, 2008: 54). New ventures' obvious external sources include their resource-holders in the broadest sense, such as potential investors and customers, regulatory authorities, the media, or society more broadly. Internal sources, in turn, may include for new ventures, their executives and personnel or – in the particular case of corporate ventures – also their parent organizations.

While a number of further legitimacy typologies exist (cf. Bitektine, 2011), Scott's (2007) and Suchman's (1995) are perhaps the most widely applied ones: According to all typologies, legitimacy may comprise a number of sub-dimensions. For Scott (2007), these include *regulative* legitimacy (the alignment with rules and laws), *normative* legitimacy (alignment with norms and values), and *cognitive* legitimacy (alignment widely held beliefs and ideas such as cultural scripts, schemas, and identities). Additionally, Suchman (1995) suggested moral legitimacy and cognitive legitimacy (which are largely congruent with Scott's focus on normative legitimacy and cognitive legitimacy) as well as *pragmatic* legitimacy which may be based on audiences' self-interested calculations on a focal venture's value.

Yet, *legitimacy* as a property of an organization conferred by its audiences is generally distinguished from *legitimation*, which emphasizes the process of how organizations aim to *acquire, maintain, and defend* legitimacy (e.g. Ashforth & Gibbs, 1990; Suchman, 1995). A number of studies have accordingly found that organizations are not necessarily passive carriers of certain characteristics, but as able to very actively and strategically manage their legitimacy. Legitimation will involve substantive processes (e.g. coercive isomorphism, role conformance) as well as symbolic processes such as "espousing socially acceptable goals … while actually pursuing less acceptable ones" (Ashforth & Gibbs, 1990: 180). Conceiving of legitimation as context-dependent process of social construction, recent research has focused in particular on the symbolic aspects of legitimation. Accordingly, a number of influential studies have investigated how organizations engage in impression- and symbolic management (e.g. Elsbach, 1994; Pfeffer, 1981) and how they attempt to mobilize discourse and rhetoric in their favor (e.g. Suddaby & Greenwood, 2005).

Overall, the concept of legitimacy offers a sparkling source for gaining in depth insights into the how new ventures overcome their liabilities, acquire resources, survive, and grow. It is thus no surprise that the role of legitimacy for new ventures has been an important and widely studied field of research. Yet, as our outline shows, the concept of legitimacy offers scholars of new ventures a myriad of options. It thus can be – and indeed has been – applied in multiple fruitful ways. Expected differences in these applications include but are not limited to how scholars chose, for instance, among potential theoretical perspectives, among sources and subjects, as well as among potential typologies for studying new venture legitimacy and new venture legitimation. Given the field's widespread popularity and rapidly increasing number of publications, we thus believe that the field will benefit from a comprehensive review of prior applications of the legitimacy concept to new venture research in order to both uncover a certain systematicity among these different applications, and to point to relevant future research directions. Prior reviews have already touched upon the role of legitimacy for new ventures (cf. Bruton & Ahlstrom, 2010; Tolbert et al., 2011). Yet, with their exclusive commitment to institutional theory, their picture remains partial as they were not intended to explore *how the multi-theoretical concept of* *legitimacy has been applied in prior research on new ventures* – the question we aim to answer with our review of the literature.

2.3. METHOD

To derive both a comprehensive and systematic review of the literature on the role of legitimacy for new ventures, we adhered to the following data base survey procedures.

2.3.1. Inclusion Criteria

We selected studies for this review according to 4 criteria (research domains, journals, search terms, and time period): In terms of research domains, we limited our focus to the fields of organization theory and strategy, entrepreneurship, and sociology since the study of new ventures has been an important research focus in each of these three domains. In terms of journals, we included only those outlets with the consistently highest impact factor in each of these three fields according to the Social Science Citation Index (SSCI). For *organization theory and strategy*, we thus included 6 journals into our article search: *Academy of Management Journal (AMJ), Academy of Management Review (AMR), Administrative Science Quarterly (ASQ), Management Science (MS), Organization Science (OS),* and *Strategic Management Journal (SMJ)*; for *entrepreneurship research,* we included 3 journals: *Entrepreneurship Theory and Practice (ETP), Journal of Business Venturing (JBV),* and *Strategic Entrepreneurship Journal (SEJ)*; and for *sociology* also 3 journals: *American Journal of Sociology (AJS), American Sociological Review (ASR),* and *Annual Review of Sociology (ARS)*.

For the key word search in these articles, we again relied on the Social Science Citation Index (SSCI) as widely used, reliable article data base. Our searches focused on the articles' "topic" thus searching their titles, abstracts, and keywords as most informative parts of each study. We iteratively ran the following 7 closely related topic searches to include as many articles as possible with relevance to our interest:

The search for the terms "ventur*" and "legitim*" yielded 38 hits, for "entrepreneur*" and "legitim*" 75 hits, for "newness" and "legitim*" 10 hits, for "new organization*" and "legitim*" 15 hits, for "new firm*" and "legitim*" 7 hits, "start-up*"/"startup*" and "legitim*" 7/1 hits, and for "initial public offering*" and "legitim*" yielded 11 hits.

Subsequently, we excluded the many studies that figured in multiple of the above topic searches as well as those with zero relevance to our interest. The latter included, for instance, studies on venture capital or joint ventures in the "ventur*" search, studies on new organizational forms and new organization theories in the "new organization*" search, and studies on the legitimacy of entrepreneurship as field of study or on institutional entrepreneurship without an explicit focus on new ventures in the "entrepreneur*" search. We then read through the references in the remaining studies to uncover 4 further studies of high relevance (i.e. Hargadon & Douglas, 2001; Hiatt et al., 2009; Santos & Eisenhardt, 2009; Starr & MacMillan, 1990) that were not covered by the above topic searches. Overall, our article search thus yielded 54 articles – most of which pertaining to the field of organization theory and strategy (33), followed by entrepreneurship (18) and sociology (3). Regarding individual journals, most articles have been published in *Organization Science* (9) and *Administrative Science Quarterly* (8) in the field of organization theory and strategy, and in *Journal of Business Venturing* (9) and *Entrepreneurship Theory and Practice* (9) in the field of entrepreneurship research. *Strategic Entrepreneurship Journal* and *Annual Review of Sociology* yielded no relevant articles and, thus, do not figure in our study.

Finally, in terms of time period, we included articles published within the last 25 years (i.e. 1986-2011). This is coherent with the publishing data of Sing et al.'s (1986) influential study which thus set its starting line both for research on the role of legitimacy for new ventures – of course except for Stinchcombe (1965) – as well as for our according review. Yet, as Table 2-1 indicates, more than half of the included studies (28) have been published from 2007 onwards indicating an enormous recent interest in this area of research within the last 5 years covered.

Table 2-1: Overview of Articles per Year and Journal

Year	Organization Theory and Strategy						Sociology			Entrepreneurship			Total
	OS	ASQ	SMJ	AMR	AMJ	MS	ASR	AJS	ARS	JBV	ETP	SEJ	
2011	2			1									**3**
2010	2	1		1	1					1	2		**8**
2009		1			1					3	3		**8**
2008		1									2		**3**
2007	1	1			1			1		1	1		**6**
2006			1							1	1		**3**
2005		1	1										**2**
2004										2			**2**
2003	1			1	1								**3**
2002				1									**1**
2001	1	1	1										**3**
2000													**0**
1999						1							**1**
1998													**0**
1997													**0**
1996			1										**1**
1995													**0**
1994	2		1	1						1			**5**
1993													**0**
1992							1						**1**
1991		1					1						**2**
1990			1										**1**
1989													**0**
1988													**0**
1987													**0**
1986		1											**1**
Total	**9**	**8**	**6**	**5**	**4**	**1**	**2**	**1**	**0**	**9**	**9**	**0**	**54**
	33						**3**			**18**			

Source Journals:
- Organization Theory and Strategy – ASQ: Administrative Science Quarterly; AMR: Academy of Management Review; AMJ: Academy of Management Journal; SMJ: Strategic Management Journal; MS: Management Science; OS: Organization Science
- Sociology – AJS: American Journal of Sociology; ASR: American Sociological Review; ARS: Annual Review of Sociology
- Entrepreneurship – ETP: Entrepreneurship Theory and Practice; JBV: Journal of Business Venturing; SEJ: Strategic Entrepreneurship Journal

2.3.2. Analysis of Articles

We engaged in a qualitative thematic analysis (cf. Miles & Huberman, 1994) to yield and structure the findings of our review. The analysis broadly included 2 steps – first an *inductive thematic analysis* and later a *deductive thematic analysis*. For the inductive thematic analysis, we initially started by thoroughly reading the articles' abstracts and contents to gain a solid grasp of underlying themes and trends. In this iterative process, a number of critical distinctions emerged that we used to cluster articles and findings. For the subsequent deductive thematic analysis, we went back to prior literature on antecedents, processes, and outcomes of legitimacy (e.g. Deephouse & Suchman, 2008; Scott, 2007; Suchman, 1995) to make sense of these themes and other more implicit or fuzzy categories and distinctions that our inductive thematic analysis had produced.

2.4. OUTLINE OF THE LITERATURE

Table 2-2 provides a detailed outline of all 54 articles we covered on the role of legitimacy for new ventures. Across the literature, two aspects were relatively homogenous: First, as we expected, the predominant 'new venture focus' in prior research related to how new ventures acquire resources (or to tightly related outcomes such as new venture creation, survival or growth which are directly related to successful resource acquisition). This is unsurprising, given the dominant assumption that new ventures need to acquire scarce resources from external resource-holders to overcome their 'liabilities'. Second, following from the former, the dominantly studied 'source of legitimacy' was external to the venture rather than internal[7], since new ventures are primarily dependent on the legitimacy judgments of various external audiences (resource-holders, investors, consumers, other industry members, media, society etc.) to acquire precious and urgently needed resources. 4

[7] The few studies with a focus on additional legitimacy sources <u>internal</u> to new ventures (e.g. founders or employee groups) are underlined.

additional dimensions of the literature proofed more critical for structuring our findings as the contained higher degrees of variances across articles (see Table 2-3 for an overview of these distinctions as applied to each of the 54 articles).

2.4.1. Assumed Degree of Agency

The first critical distinction relates to what we tentatively referred to as the assumed 'degree of agency' that new ventures may have in their attempts to secure legitimacy. In this regard, a large number of predominantly earlier work has explored the 'inherent' *legitimate characteristics* of new ventures. They focus on new ventures' *legitimacy*, that is, on an *attribute* that new ventures *have* – thus conceiving of certain aspects of new ventures as constraining their fates and determining such outcomes as venture creation, survival, or growth. In turn, and more recently, a currently burgeoning camp of research has amassed insights on how new ventures may rather mobilize *legitimation strategies*. They do not focus on new ventures' *legitimacy* but rather on their *legitimation process*, hence conceiving of legitimation as an *activity* (i.e. 'legitimizing), that is, as something new ventures *do* in order to gain legitimacy in a targeted audience and to actively shape their fates. These latter studies ascribe to new ventures a considerably higher degree of agency than those studies that investigate new ventures' legitimate characteristics. Overall, and as per Table 2-2, prior research has almost equally contributed to our understanding of new ventures legitimating characteristics and their legitimation strategies.

Table 2-2: Overview of the Research Field According to Analyzed Dimensions and Distinctions

No.	Authors	Year	Jour-nal	Cit.*	Focus: New venture…	Source of legitimacy	Degree of Agency (Distinction 1)	Level of legitimacy subject (Distinction 2)	Type of Legitimacy (Distinction 3)	Theoretical perspective(s) (Distinction 4)
Contribution to: - Research Trajectory 1 (Legitimate New Venture Characteristics) and - Research Trajectory 3 (New Venture Legitimation Strategies)										
1	Tornikoski & Newbert	2007	JBV	12	Creation	External (unspec. resource-holders)	Legitimacy Characteristics; Legitimation Strategies	Venture	unclear (general)	Social Network; Human Capital; Symbolic Action
2	Sine, David, & Mitsuhashi	2007	OS	14	Creation	External (unspec. resource-holders)	Legitimacy Characteristics; Legitimation Strategies	Venture	Regulative	Institutional Theory
3	Rao	1994	SMJ	236	Survival	External (unspec. resource-holders)	Legitimacy Characteristics; Legitimation Strategies	Venture (its certifications)	Regulative	Institutional Theory
Contribution to: - Research Trajectory 1 (Legitimate New Venture Characteristics)										
4	Wiklund, Baker, & Shepherd	2010	JBV	3	Survival	External (investors)	Legitimacy Characteristics	Venture	Cognitive	Cognition (Signalling)
5	Arthurs, Busenitz, Hoskisson, & Johnson	2009	JBV	2	Resource Acquisition; IPO valuation	External (investors)	Legitimacy Characteristics	Venture (its policy)	Cognitive	Cognition (Signalling)
6	Bell, Moore, & Al-Shammari	2008	ETP	4	Resource Acquisition, IPO valuation	External (investors)	Legitimacy Characteristics	Venture (its geographical origin)	Normative	Institutional Theory

7	Packalen	2007	ETP	9	Resource Acquisiton	External (unspec. resource-holders)	Legitimacy Characteristics	Venture (its founder, relations of founder)	Normative, Cognitive	Human Capital; Social Network
8	Godwin, Stevens, & Brenner	2006	ETP	5	Resource Acquisition	External (unspec. resource-holders, industry members)	Legitimacy Characteristics	Venture (its founder, top management team)	Cognitive	Human Capital; Cognition (Stereotypes)
9	Higgins & Gulati	2006	OS	68	Resource Acquisition; IPO valuation	External (investors)	Legitimacy Characteristics	Venture (its top management team; relations of top management team)	Normative, Cognitive	Social Network; Human Capital
10	Cohen & Dean	2005	SMJ	34	Resource Acquisition; IPO valuation	External (investors)	Legitimacy Characteristics	Venture (its top management team; relations of top management team)	Normative	Social Network
11	Certo	2003	AMR	73	Resource Acquisition; IPO valuation	External (investors)	Legitimacy Characteristics	Venture (relations of top management team)	Normative	Social Network
12	Higgins & Gulati	2003	SMJ	42	Resource Acquisition; IPO valuation	External (investors)	Legitimacy Characteristics	Venture (its top management team; relations of top management team)	Normative	Social Network
13	Pollock & Rindova	2003	AMJ	99	Resource Acquisition; IPO valuation	External (media, investors)	Legitimacy Characteristics	Venture	Cognitive	Cognition (Framing)
14	Shane & Foo	1999	MS	34	Survival	External (unspec. resource-holders)	Legitimacy Characteristics	Venture	Regulative; Cognitive	Institutional Theory
15	Baum & Oliver	1991	ASQ	315	Survival	External (unspec. resource-holders)	Legitimacy Characteristics	Venture (its relationships)	Normative	Social Network; Population Ecology

16	Singh, Tucker, & House	1986	ASQ	277	Survival	External (unspec. resource-holders)	Legitimacy Characteristics	Venture (its relationships)	Normative	Social Network; Population Ecology (Newness)
Contribution to: - Research Trajectory 2 (Legitimate Industry Characteristics)										
17	Dobrev & Gotsopoulos	2010	AMJ	0	Survival	External (unspec. resource-holders)	Legitimacy Characteristics	Industry	Cognitive	Population Ecology
18	Bruton, Ahlstrom, D, & Li	2010	ETP	3	Survival	External (unspec. resource-holders)	Legitimacy Characteristics	Industry (of transition economy)	Regulative, Normative, Cognitive	Institutional Theory
19	Nasra & Dacin	2010	ETP	1	Creation	External (unspec. resource-holders)	Legitimacy Characteristics	Industry (a market sector)	Regulative	Institutional Theory
20	Hiatt, Sine, & Tolbert	2009	ASQ	3	Failure; Creation	External (unspec. resource-holders)	Legitimacy Characteristics	Industry	Normative	Social Movement Theory
21	Mair, & Marti	2009	JBV	10	Creation	External (society, unspec. resource-holders)	Legitimacy Characteristics	Industry (a market sector)	Cognitive	Institutional Theory
22	Woolley & Rottner	2009	ETP	3	Creation	External (unspec. resource-holders); Internal (founders)	Legitimacy Characteristics	Industry	Regulative	Institutional Theory
23	Sine, Haveman, & Tolbert	2005	ASQ	44	Creation	External (unspec. resource-holders); Internal (founders)	Legitimacy Characteristics	Industry (a market category)	Regulative, Cognitive	Institutional Theory; Cognition (Risk Assessment)
24	Rao	2004	JBV	15	Creation	External (unspec. resource-holders, society)	Legitimacy Characteristics	Industry (a market category)	Normative	Social Movement Theory
25	McKendrick & Carroll	2001	OS	39	Survival	External (unspec. resource-holders, industry members)	Legitimacy Characteristics	Industry (an organizational form)	Cognitive	Population Ecology

26	Manigart	1994	JBV	13	Creation; Survival	External (unspec. resource-holders, industry members)	Legitimacy Characteristics	Industry (an organizational form)	Cognitive	Population Ecology
27	Baum & Singh	1994	OS	64	Creation; Survival	External (unspec. resource-holders, industry members)	Legitimacy Characteristics	Industry (an organizational form)	Cognitive	Population Ecology
28	Budros	1994	OS	3	Creation; Survival	External (unspec. resource-holders, industry members)	Legitimacy Characteristics	Industry (an organizational form)	Cognitive	Population Ecology
29	Baum & Oliver	1992	ASR	189	Survival	External (unspec. resource-holders, industry members)	Legitimacy Characteristics	Industry (an organizational form)	Normative	Social Network; Population Ecology
30	Petersen & Koput	1991	ASR	48	Survival	External (unspec. resource-holders, industry members)	Legitimacy Characteristics	Industry (an organizational form)	Cognitive	Population Ecology

Contribution to:
- Research Trajectory 3 (New Venture Legitimation Strategies) and
- Research Trajectory 4 (Industry Legitimation Strategies)

31	Zimmerman & Zeitz	2002	AMR	132	Resource Acquisition; Growth	External (various resource-holders)	Legitimation Strategies	Venture; Industry	Regulative, Normative, Cognitive	Institutional Theory
32	Aldrich & Fiol	1994	AMR	492	Creation; Resource Acquisition	External (resource-holders, industry members, society)	Legitimation Strategies	Venture; Industry	Normative, Cognitive	Culture/ Discourse

Contribution to:
- Research Trajectory 3 (New Venture Legitimation Strategies)

33	Navis & Glynn	2011	AMR	0	Resource Acquisition	External (investors)	Legitimation Strategies	Venture (its identity)	Cognitive	Culture/ Discourse
34	Cornelissen & Clarke	2010	AMR	10	Resource Acquisition	External (unspec. resource-holders)	Legitimation Strategies	Venture	Cognitive	Culture/ Discourse; Cognition (Sensemaking)

35	Etzion & Ferraro	2010	OS	7	Evolution; Growth	External (consumers/ adopters)	Legitimation Strategies	Venture (its product/ service)	Cognitive	Culture/ Discourse
36	Khaire	2010	OS	3	Growth	External (unspec. resource-holders)	Legitimation Strategies	Venture	Normative, Cognitive	Symbolic Action
37	Karlsson & Honig	2009	JBV	3	Evolution	External (unspec. resource-holders); Internal (founders)	Legitimation Strategies	Venture (its policy)	Normative	Symbolic Action; Cognition (Inertia)
38	Santos & Eisenhardt	2009	AMJ	31	Growth; Dominance	External (unspec. resource-holders)	Legitimation Strategies	Venture (its identity)	Cognitive	Culture/ Discourse
39	Drori, Honig, & Sheaffer	2009	ETP	5	Evolution; Failure	External (unspec. resource-holders); Internal (employees)	Legitimation Strategies	Venture (its actions)	Cognitive	Culture/ Discourse; Cognition (Scripts)
40	Rutherford, Buller, & Stebbins	2009	ETP	1	Resource Acquisition	External ("key stakeholders")	Legitimation Strategies	Venture	Normative	Symbolic Action
41	Townsend & Hart	2008	ETP	10	Creation	External (unspec. resource-holders); Internal (founders)	Legitimation Strategies	Venture (its form/identity)	Cognitive	Cognition (Ambiguity)
42	Martens, Jennings, & Jennings	2007	AMJ	34	Resource Acquisition; IPO valuation	External (investors)	Legitimation Strategies	Venture (its identity)	Cognitive	Culture/ Discourse
43	Zott & Huy	2007	ASQ	41	Resource Acquisition	External (investors)	Legitimation Strategies	Venture (its policy, actions, relationships)	Normative (Predominant), Cognitive, Pragmatic	Symbolic Action
44	Johnson	2007	AJS	24	Evolution	External (unspec. resource-holders); Internal (founders)	Legitimation Strategies	Venture (its identity)	Cognitive	Culture/ Discourse; Further (Imprinting)
45	Cliff, Jennings, & Greenwood	2006	JBV	21	Creation	External (unspec. resource-holders); Internal (founders)	Legitimation Strategies	Venture (its actions)	Cognitive	Institutional Theory (Field Theory)

46	Delmar & Shane	2004	JBV	71	Creation; Survival	External (unspec. resource-holders)	Legitimation Strategies	Venture	unclear (general)	Further (Legitimacy) Theory)
47	Hargadon & Douglas	2001	ASQ	129	Creation; Resource Acquisition	External (consumers/ adopters)	Legitimation Strategies	Venture (its product/service)	Cognitive	Institutional Theory; Cognition (Schemas)
48	Lounsbury & Glynn	2001	SMJ	170	Resource Acquisition; Growth	External (various resource-holders)	Legitimation Strategies	Venture (its identity)	Cognitive	Culture/ Discourse
49	Stone & Brush	1996	SMJ	30	Resource Acquisition	External (unspec. resource-holders)	Legitimation Strategies	Venture (its policy/plan)	Cognitive	Symbolic Action
50	Starr & MacMillan	1990	SMJ	154	Resource Acquisition	External (partners, investors)	Legitimation Strategies	Venture	Normative, Pragmatic	Further (Cooptation)
Contribution to: ***- Research Trajectory 4 (Industry Legitimation Strategies)***										
51	King, Clemens & Fry	2011	OS	0	Evolution; Growth	External (unspec. resource-holders, industry members)	Legitimation Strategies	Industry (market category)	Cognitive	Culture/ Discourse
52	Wry, Lounsbury, & Glynn	2011	OS	1	Growth	External (unspec. resource-holders, industry members)	Legitimation Strategies	Industry (market category)	Cognitive	Culture/ Discourse
53	Navis & Glynn	2010	ASQ	2	Growth; Survival	External (investors, industry members, media)	Legitimation Strategies	Industry (market category)	Cognitive	Culture/ Discourse
54	Weber, Heinze, & Desoucey	2008	ASQ	34	Creation	External (industry members, consumers/adopters, society)	Legitimation Strategies	Industry (product/market category)	Normative	Social Movement Theory

* SSCI Citations (accessed 17 March 2012)

2.4.2. Level of Analysis of Explored Legitimacy Subjects

The second critical distinction emerged when we coded the articles for their assumed *subject* of legitimacy and legitimation and most generally relates to the articles' assumed 'level of legitimacy subject': In this regard and contrary to our initial expectation, we discovered that a large number of studies did not explore legitimacy subjects at the level of *individual ventures* (such as the venture per se or certain aspects thereof such as its identity, products, founders, or relationships) but legitimacy subjects at the level of *collectives* of new ventures and mostly at the *industry*-level (such as an industry or sector per se or certain aspects thereof – e.g. its product/market category or its underlying organizational form). Based on these two distinctions (i.e. 'degree of agency' and 'level of legitimacy subject'), we could derive 4 basic research trajectories (referred to as 'trajectories' in Table 2-2) – two concerning legitimacy characteristics (i.e. trajectory 1: 'legitimate new venture characteristics' and trajectory 2: 'legitimate industry characteristics') and two concerning legitimation strategies (i.e. trajectory 3: 'new venture legitimation strategies' and trajectory 4: 'industry legitimation strategies'). As we can infer from Table 2-2, most of the reviewed articles have explored how actors mobilize *legitimation strategies* to legitimate their *individual* ventures (trajectory 3) – a currently burgeoning topic – while comparatively little research has to date explored how new ventures collectively attempt to legitimate the *industry* they populate (trajectory 4). Remaining research has roughly equally contributed to our understanding of the *legitimate characteristics* of *ventures* and their *industries* (trajectories 1 and 2).

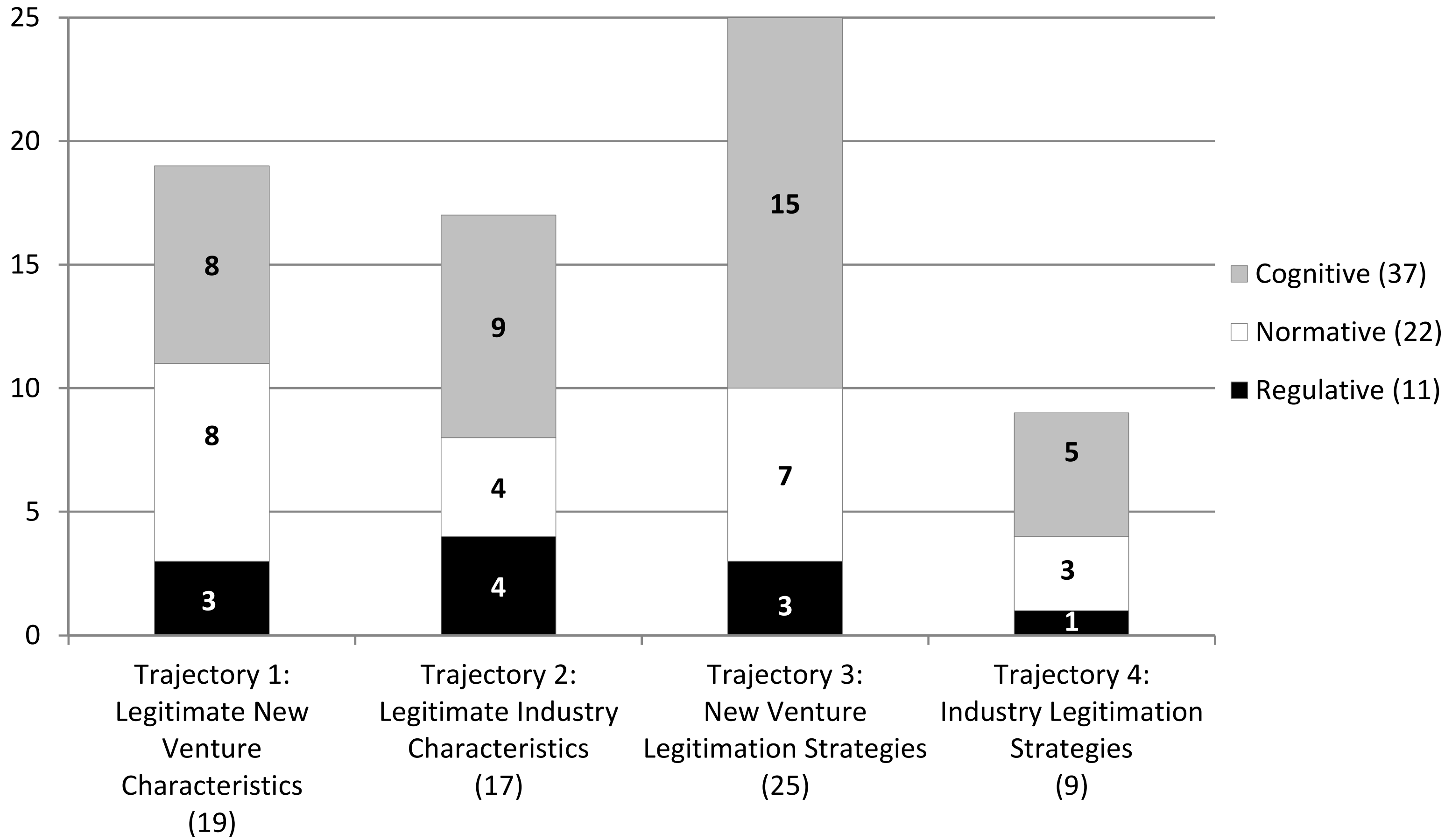
2.4.3. Applied Legitimacy Typologies

Thirdly, to add further nuance to these 4 research fields, we highlight those characteristics and practices that secured 3 different types of legitimacy for new ventures and their industry domains, i.e. *regulative, normative,* and *cognitive legitimacy* (cf. Scott, 2007). Compared to other legitimacy-typologies (e.g. Ashforth & Gibbs, 1990; Suchman, 1995), this typology proofed most capable for deriving a fine-grained overview of the assumptions and results of prior applications of the legitimacy-concept to new ventures. Figure 2-2 yields a graphical representation of the distribution of these 3 legitimacy types across all 4 trajectories. As we can see, the overwhelming majority of prior research has investigated characteristics and practices that may lead to *cognitive legitimacy* of ventures and industries. This may be due to two primary reasons: First, cognitive legitimacy has been proposed as both the most important and most difficult type of legitimacy to acquire for actors as the plausibility and taken-for-grantedness that underlie an actors' cognitive legitimacy make it hard for assessing audiences to even conceive of alternatives to a focal venture and its propositions (c.f. Suchman, 1995). From this perspective, several studies have argued that cognitive legitimacy is the most important meta-resource for new ventures to acquire resources and to survive and have accordingly dedicated their focus to this type of legitimacy. The second reason is that cognitive legitimacy obtains a critical role in or is commensurable to a comparatively large number of theoretical perspectives applied in prior research. These perspectives include institutional theory, population ecology, human capital theories, cultural and discourse theories, as well as applications of concepts from cognitive psychology such as schemas, scripts or sensemaking. While a focus on *regulative legitimacy* appears to have largely been bound to applications of institutional theory, studying the *normative legitimacy* of new ventures has equally – although to a lesser degree than cognitive legitimacy - invited drawing on different theoretical perspectives, including institutional theory, social network theory, social movement theory and impression management/symbolic action perspectives.

2.4.4. Applied Theoretical Perspectives

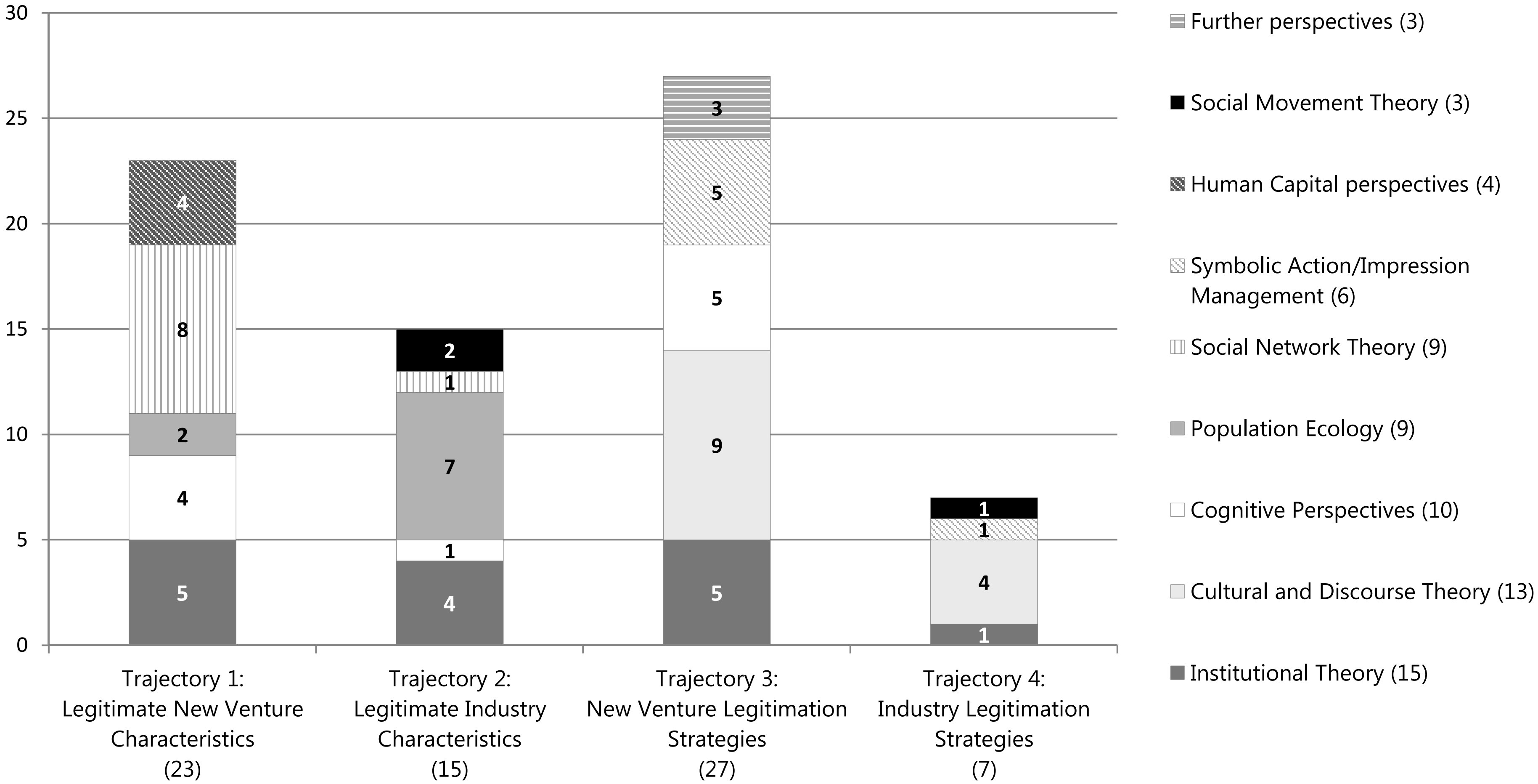
The final critical distinction thus relates to the articles' <u>theoretical perspective.</u> As follows from Figure 2-3, a relatively large number of perspectives has been applied in the field. Moreover, the field has also witnessed increasing pluralism of applied perspectives. Yet those theories that have been applicable in multiple of the 4 trajectories tend to dominate the field: Accordingly, institutional theory with its broad applicability across all four trajectories and across the complete time span dominates the literature together with cultural and discursive perspectives that have been applied with enormously increased interest across the last ten years to explore how new ventures individually or collectively attempt to acquire (cognitive) legitimacy. The research field of new venture legitimacy has also been a fertile ground for cognitive perspectives (trajectories 1, 2, 3) as well as for population ecology (predominantly in the late 1980s and early 1990s in trajectory 2) and for social network theory (predominantly in the early 2000s in trajectory 2). On the other end, while stakeholder theories have remained at all absent in this field of study, social movement perspectives – although currently explored in soaring numbers in sociology journals – have seen relatively little application yet.

Figure 2-2: Distribution of Prior Research according to Assumed Degree of Agency, Level of Analysis, and Type of Legitimacy[8]



[8] Several studies yielded multiple entries in this table as they have pointed to both legitimacy characteristics as well as legitimation strategies (e.g. Rao, 1994) to several types of legitimacy (e.g. Zimmerman & Zeitz, 2002) or to both venture- and industry-level of analysis (e.g. Aldrich & Fiol, 1994). The number of entries in Figure 2-2 (70) accordingly does not equal the number of reviewed articles (54). See Table 2-2 for distribution per article.

Figure 2-3: Distribution of Prior Research according to Applied Theoretical Perspectives[9]



[9] As in Figure 2-2, many studies draw on combinations of theories thus yielding several entries in terms of applied theoretical perspectives. As follows, the number of entries in Figure 2-3 (72) does not conform to the number of entries in Figure 2-2 (70) no to overall number of reviewed articles (i.e. 54). See Table 2-2 for distribution per article.

2.5. REVIEW OF THE LITERATURE

To gain a more in-depth overview of the literature, we separately highlight each of the four trajectories ('legitimate new venture characteristics', 'legitimate industry characteristics', 'venture legitimation strategies', and 'industry legitimation strategies') and how the 3 different legitimacy subtypes (regulative, normative, cognitive) have been explored within these 4 trajectories. Additionally, we show how different theoretical perspectives have been engaged to explore these different legitimacy subtypes within the 4 trajectories.

2.5.1. Legitimate New Venture Characteristics (Trajectory 1)

Extant research has yielded insights into those inherently legitimate *characteristics* that largely determine and constrain the fates of new venture. Similar to studies in the subsequent trajectory 2, these studies thus refer to legitimacy as an *attribute* of new ventures, that is, as something new ventures *have*. To derive factors of ventures' *regulative legitimacy*, prior research has predominantly drawn on institutional theory to explore the role of product *standards and certifications*. To derive factors of ventures' *normative legitimacy*, studies have mostly relied on social network theory to argue for the role of ventures' *social capital*. Finally, to investigate *cognitively legitimate* characteristics of new ventures and their founders, a number of articles have studied their *human capital*.

Regulative new venture legitimacy. Regulative legitimacy involves the perception that the new venture is a 'good citizen' that operates according to laws and regulations. Failure to acquire regulatory legitimacy may in turn prevent the new venture from operating legally and may preclude or limit its access to resources. New ventures derive regulative legitimacy from conformance to "regulations, rules, standards, and expectations created by governments, credentialing associations, professional bodies, and even powerful organizations (such as those manufacturing companies requiring their suppliers to have some sort of 'quality' certification"

(Zimmerman & Zeitz, 2002: 418). Indeed, from these potential foci, prior research has predominantly explored new ventures operating in manufacturing or high-tech industries and has predominantly focused on the role of new product certifications as signals of new ventures' regulative legitimacy. Studies have shown that product certifications increase the chances for new ventures to reach their operational start-up phase (Sine et al., 2007) and that the number of these certifications is a significant indicators of new venture survival (Rao, 1994; Shane & Foo, 1999).

Normative new venture legitimacy. New ventures are normatively legitimate when they address the norms and values in their domains of activity. Accordingly, the venture gains normative legitimacy when it is considered to be desirable and appropriate by addressing such values as profitability, value for money, ecological awareness, fair treatment of employees, or public welfare. Zimmerman and Zeitz (2002) propose several levels of a venture's normative legitimacy including the societal-, the industry- and the professional level: Regarding the societal level, the country of origin has been found to influence ventures' normative legitimacy insofar as, ventures from countries that promote the value of economic freedom tend to acquire higher value and more resources during their initial public offerings (Bell et al., 2008)

Regarding the industry-level of ventures' normative legitimacy, a large number of studies have investigated new venture's *social capital* in the form of endorsements and network ties as critical manifestations of their normative legitimacy*:* These early accounts have jointly drawn on population ecology and social network theory to focus on new ventures' "legitimating linkages" and thus on their generated "legitimacy by association with organizations that already possess high legitimacy" and that may signal the venture's "adherence to institutional prescriptions of appropriate conduct" (e.g. Baum & Oliver, 1991: 189; cf. Baum & Oliver, 1992; Singh et al., 1986). Investigated linkages of normative legitimacy include endorsements by and relationships with "powerful external collective actors" as indicated e.g. by a venture's listing in community directories (Singh et al., 1986) or "ties to well-established societal institutions" such as charitable organizations (Baum & Oliver, 1991: 189). Overall, these legitimating linkages may significantly decrease the mortality rate of ventures – an advantage with increasing benefits in mature industries with intense competition (Baum & Oliver, 1991).

Regarding the professional level of ventures' normative legitimacy, more recent studies have enriched the scope of social network work theory by jointly drawing on insights from various upper echelon perspectives to explore the fund-raising efforts of new ventures during initial public offerings (IPO), these studies have explored the legitimating effect of the social capital of ventures' top management teams, boards, or founding teams (Certo, 2003; Cohen & Dean, 2005; Higgins & Gulati, 2003; 2006; Packalen, 2007). These studies thus found, that a greater range of top managers' affiliations with high status organizations increases the legitimacy of the venture as a whole thus attracting more prestigious underwriters (Higgins & Gulati, 2003) and leading to higher IPO valuations (Certo, 2003; Higgins & Gulati, 2006; Packalen, 2007)

Cognitive new venture legitimacy. New ventures derive cognitive legitimacy when addressing widely held beliefs and assumptions. In particular, cognitive legitimacy follows for new ventures from acting in line with powerful cognitive filters such as social identities and social roles that are accepted in a given environment and from endorsing and implementing "methods, models, practices, assumptions, knowledge, ideas, realities, concepts, modes of thinking, and so on that are widely accepted" (Zimmerman & Zeitz, 2002). Accordingly and in the most basic sense, the identity of a cognitively legitimate new venture is such that "it provides what is needed or desired and will be successful in the business domain in which it purports to operate" (ibid.). In this regard, studies have drawn on cognitive perspectives to explore such characteristics as a venture's perceived age and size (Shane & Foo, 1999; Wiklund et al., 2010; cf. Arthurs et al., 2009) while Pollock and Rindova (2003) have drawn on social psychology to investigate positive media coverage as triggering a focal IPO ventures cognitive legitimacy and subsequent valuation.

A comparably larger base of prior research, however, has explored new ventures' and their founders' '*human capital*' (cf. Bruederl, Preisendoerfer & Ziegler, 1992), i.e. their demographics, background and know-how, in supplying cognitive legitimacy and resources. *Founding teams* accordingly benefit from the following four characteristics: detailed industry experience and thus knowledge about how the industry works; prior management experience; prior founding experience; and prior joint work experience (Packalen, 2007). Additionally, Godwin et al. (2006) draw on theories of cognitive stereotyping to argue that a mixed-sex founding team may benefit women entrepreneurs in gaining cognitive legitimacy and resources in male-dominated industries and cultures. It has also been found that the characteristics of *key individuals*, such as of the chief executive or of the Chief Scientific Officer in biotechnology startups, were particularly important for resource acquisition and survival (Higgins & Gulati, 2006; Goodwin et al., 2006; Tornikowski & Newbert, 2007).

2.5.2. Legitimate Industry Characteristics (Trajectory 2)

An important body of work has developed theory on how characteristics of social structures in a venture's environment – and in particular of the industries they participate in – promote or hinder the ventures' legitimacy *irrespective* of the venture's own and potentially idiosyncratic characteristics. Most of the covered studies have explored different types of legitimacy separately (cf. Bruton & Ahlstrom, 2010, for an exception): Accordingly, while a small number of mostly *institutional-theoretical* studies have investigated the effect of formal extra-industrial actors (e.g. governments) on industries' *regulative legitimacy* and according venture outcomes, *social movement theory* articles have studied how informal extra-industrial actors (social movements) affect industries' and ventures' *normative legitimacy*. Finally, a large number of *population ecology* studies have focused on the interactive effects of industries' *cognitive legitimacy* and competition on venture survival.

Regulative industry legitimacy. Studies within this category have drawn mostly on institutional theory and have explored the influence of relatively *formal* authorities such as nation states or governmental policy programs on industries and ventures: It has been found in this regard, that the development of regulative institutions which legitimate newly created industries and sectors may reduce the risk of entry thus incentivizing new venture creation (Sine et al., 2005; 2007). By increasing the regulative legitimacy of an industry, such governmental programs also facilitate local new ventures' subsequent access to resources (Wolley & Rottner, 2009) and spur international entrepreneurship from abroad thus leading to further venture creation in the focal industry (Nasra & Dacin, 2010).

Normative industry legitimacy. Studies exploring industries' normative legitimacy – their social desirability and appropriateness – have predominantly integrated institutional research on new ventures with the broad field of social movement theory (cf. Davis, Morrill, Rao, & Soule, 2008). Social movements are forms of relatively informal collective action with a focus on ethical, political, or social issues and with the aim to promote social change. These studies have shown how activists external to a focal industry may organize contests and may engage in claim making to either promote or attack the industry thus affecting the populating venture's normative legitimacy and subsequent prosperity (Hiatt, Sine & Tolbert, 2009; Maier & Marti, 2009; Rao, 2004). Yet, when attacking a focal industry such as beer breweries, social movements have also been shown to indirectly contribute to normative legitimation, venture creation, and resource acquisition in such opposing sectors as the soft drink industry thus leading to increases (Hiatt et al., 2009).

Cognitive industry legitimacy. Predominantly during the late 1980s and early 1990s, a large number of population ecologists had explored how the 'population density' – the number of organizations that populates an industry – determines both the industry' cognitive legitimacy (plausibility and taken-for-grantedness) as well as its competitive intensity. Together, these factors affect the likelihood new venture creation, resource acquisition, and survival (Caroll & Hannan, 1989; cf. Baum & Oliver, 1992; Baum & Singh, 1994; Manigart, 1994; Petersen & Koput, 1994):

When a new industry is emerging, limited population density implies that the industry's underlying organizational form and identity (e.g. "bank", "hospital", or "university") suffers from limited cognitive legitimacy (cf. Budros, 1994; Dobrev & Gotsopoulos, 2010; McKendrick & Carroll, 2001). Each new venture creation thus increases the industries' cognitive legitimacy in turn easing venture creation, resource acquisition and survival (e.g. Caroll & Hannan, 1989; cf. Baum & Oliver, 1992; Baum & Singh, 1994; Low & Abrahamson, 1997; Manigart, 1994; Petersen & Koput, 1994). Ventures in growth industries thus benefit both from the industries' increased cognitive legitimacy as well as from limited competition. Conversely, in mature industries, the positive effect of the industry's cognitive legitimacy is outweighed by the ventures' intense competition for scarce resources. At high levels of population density, competition will thus dominate over cognitive legitimacy, and consequently founding rates will decline and mortality rates will rise (e.g. Caroll & Hannan, 1989; cf. Baum & Oliver, 1992; Baum & Singh, 1994; Manigart, 1994; Petersen & Koput, 1994). As more recent studies have accordingly argued, once an industry's "legitimacy threshold" (Navis & Glynn, 2010) is reached and competition for scarce resources intensifies, cognitive legitimacy is a necessary but not a sufficient factor for resource acquisition and survival. Rather, audiences require ventures to be successfully differentiated within the audience's category of legitimate organizations in order to obtain "legitimate distinctiveness" and to acquire needed resources (Navis & Glynn, 2011).

2.5.3. New Venture Legitimation Strategies (Trajectory 3)

While the above studies on legitimate characteristics of new ventures and industries (trajectories 1 and 2) regard audiences' perceptions of a focal venture' legitimacy as both inherent in new ventures and as constraining their fates, more recently, a large and steadily increasingly number of studies have explored the practices that new ventures mobilize in their attempts to strategically "extract" legitimacy from their environment (cf. Suchman, 1995)[10]. These studies thus refer to legitimation as something new ventures and their managers actively *do* either individually (cf. trajectory 3) or collectively (cf. trajectory 4).

While it was even found that the strategies of new ventures are more important in explaining their acquisition of legitimacy and resources than their characteristics (Delmar & Shane, 2004; Tornikowski & Newbert, 2007), most generally, new ventures may mobilize "conforming", "manipulating" and "selecting" practices to acquire legitimacy for their venture (cf. Zimmerman & Zeitz, 2002). Regarding the individual types of legitimacy, prior research has started exploring how ventures may engage in *political action* to convince governments or certification authorities of their *regulative legitimacy*, how they mobilize *symbolic action* and impression management tactics to acquire *normative legitimacy*, and how they mobilize *rhetoric* and discourse to shape the beliefs and understandings of their audiences thus influencing their *cognitive legitimacy*.

Regulative new venture legitimation. How new ventures gain regulative legitimacy and thus alignment with rules and laws has remained comparably under-researched. With their conformance-selection-manipulation-framework, Zimmerman and Zeitz (2002) argue that ventures can gain regulative legitimacy by "adhering to government rules and regulations, such as registering with the SEC to publicly sell stock" (conforming), by "selecting a geographic location based on favorable regulations for new ventures, such as when a new venture expands its sales into additional states to benefit from interstate sales tax exemption" (selecting), or by "lobbying for changes in existing regulations to which the new venture is subject"

[10] This body of research thus shows an earlier albeit similar tendency as recent network theoretic research on new venture outcomes (such as resource acquisition and survival or performance more generally). Moving on from regarding new ventures' social networks as stable constraints to an interest in "network agency" (Ahuja, Soda, & Zaheer, 2012), these scholars have similarly explored how new ventures form the ties and networks that shape their outcomes (e.g. Hallen & Eisenhardt, 2012; Ozcan & Eisenhardt, 2009; Vissa, 2011; 2012).

(manipulating) (Zimmerman & Zeitz, 2002: 424). Additionally, it has been pointed out that new ventures that succeed in having their products and innovations certified by authorized *extra-industrial certification authorities* create important symbols for stakeholders to judge the regulative legitimacy of new ventures thus increasing their prospects for resource acquisition and survival (Rao, 1994; Sine et al., 2007). Yet, while the number of a new venture's product certifications may significantly increase its survival prospects (Rao, 1994), this effect may be more pronounced in industries that are nascent or lack legitimacy than in settings that are already established and legitimate (Sine et al., 2007).

Normative new venture legitimation. Overall, new ventures may acquire normative legitimacy by "following societal norms such as operating profitably and adopting professional norms" (conforming), "selecting domains in which the norms and values are more accepting of the venture's products/services and/or vision" (selecting), or by "changing existing norms and values. For example, biotech new ventures manipulated the norms that a good investment generates profit by refocusing investors' attention to the value of potential scientific breakthroughs" (manipulating) (Zimmerman and Zeitz; 2002: 424). Subsequent studies particularly highlighted the role of impression management performances and symbolic actions for new ventures in order to gain normative legitimacy (e.g. Khaire, 2010; Rutherford et al., 2009; Zott & Huy, 2007). While such symbolic actions may include staged exaggerations or even outright lies (Rutherford et al., 2009), due to information asymmetry and the frequent lack of established quality criteria, resource-holders may frequently rely on these symbols to judge the value and appropriateness of a focal venture (Zott & Huy, 2007)

Symbolic actions that new ventures may rely on to create impressions of normative legitimacy may include: conveying symbols of new venture managers' personal credibility and commitment; creating impressions of the professional nature of a venture's structures and processes; creating impressions of the venture's achievement; and symbols conveying the prestige of the venture's social capital (Zott

& Huy, 2007). These authors additionally highlighted a number of factors that may moderate the relationship between managers' symbolic actions and their capacity to acquire legitimacy and resources – including the "skillfulness" and "complementarity" of these actions, the 'structural similarity' between venture and resource holder or the venture's 'intrinsic quality' (Zott & Huy, 2007).

Cognitive new venture legitimation. How new ventures acquire cognitive legitimacy has experienced an overwhelming interest in recent research. Generally, new ventures can acquire cognitive legitimacy by "complying with ideas models, practices, etc. assumed to be correct, such as hiring top managers with desirable experience and education credentials" (conforming), "selecting domains in which the ideas, models, practices, etc. are more accepting of the venture" (selecting), or by "altering existing ideas, models, practices, etc." (manipulating) (Zimmerman & Zeitz, 2002: 425). Most of the reviewed studies have drawn on cultural theory and related discursive perspectives to explore various aspects of "cultural entrepreneurship" (Lounsbury & Glynn, 2001). From this angle, skillfully acquiring cognitive legitimacy entails for new venture managers drawing on widely shared concepts and vocabularies to either *create linkages* of their new ventures to these 'cultural tools' or to engage in *cultural bricolage* by recombining existing concepts thus creating novel yet legitimate identities and resource spaces (Lounsbury & Glynn, 2001; Johnson, 2007; cf. Douglas, 1986; Swidler, 1986). For the former, skillful new venture managers may mobilize discursive *analogies* and, for the latter, they may engage in *story-telling*.

Stories, through the narrative plot lines and causal relationships they propose, can help managers create identities for and 'theories' about their venture thereby reducing ambiguity in their audiences and creating cognitive legitimacy (comprehensibility and plausibility) (e.g. Aldrich & Fiol, 1994; Lounsbury & Glynn, 2001; Martens et al., 2007; Navis & Glynn, 2011; Weber et al., 2008). These narratives underlie managers' oral presentations or their written business plans and prospectuses (Stone & Brush, 1994) and may in turn positively influence their chances to acquire resources (Martens et al., 2007). However, if stories and narratives are to yield cognitive legitimacy for new ventures, they require both *external resonance* with their audiences' understandings as well as *internal coherence* and thus a non-contradictory causal plot (Lounsbury & Glynn, 2001; Martens et al., 2007; Navis & Glynn, 2011).

Analogies (and related tropes such as metaphors) have figured prominently in most recent research (Cornelissen & Clarke, 2010; Etzion & Ferraro, 2009; Navis & Glynn, 2010; Santos & Eisenhardt, 2009; cf. Hargadon & Douglas, 2001). New venture managers have been shown to draw analogies between their novel ventures, products, or propositions (e.g. "online shopping") and concepts that their resource-holders are widely familiar with (e.g. "shopping") in attempts to win support, resources, and to spur their products' initial comprehension and valuation. Later, once analogies have secured the initial legitimacy of a new venture, managers can again draw on analogies to signal their novel products or services 'dissimilarities' to competing products and conceptions in order to highlight their offerings difference or superiority and to carve out a distinctive legitimate space for their venture (Etzion & Ferraro, 2009).

2.5.4. Industry Legitimation Strategies (Trajectory 4)

While the above studies in trajectory 3 have tentatively focused on how new venture managers aim to strategically legitimize their individual new ventures in either novel or established industries, a small number of studies have begun to explore how new ventures engage in collective action to legitimize the – typically nascent – industry they populate. These studies thus respond to current trends e.g. in institutional theory, social movement theory, and cultural theory that regard strategic legitimation not so much as the endeavor of individual "hyper-muscular" actors but as a collective exercise (cf. e.g. Battilana et al., 2011).

Regulative industry legitimation. To create regulatory legitimacy for a nascent industry, new ventures accordingly need to create beneficial rules, laws, and regulations for their nascent industries. Zimmerman & Zeitz (2002: 425) point to the anecdotal evidence of collective lobbying and political action such as, for instance, when "internet retailers lobby for federal legislation to create tax-free interstate internet sales". Yet, more comprehensive theorizations and empirical explorations of how new ventures secure regulative legitimacy for their industries have remained notably absent.

Normative industry legitimation. To create normative legitimacy for a nascent industry, new ventures need to develop, share, and circulate norms and values beneficial to their new industries (Zimmerman & Zeitz, 2002). In this regard, finding avenues for collaborative action among new ventures despite their potential competitive conflicts might be most important (Aldrich & Fiol, 1994). In their recent qualitative study on the creation of an organic food market in the US, Weber et al. (2008) draw from social movement theory and show how new ventures that participate in this organic food movement collectively mobilized broad cultural codes that created normative oppositions between the nascent market and the dominating food industry (such as "sustainable" vs "exploitative" or "natural" vs "artificial"). These cultural codes in turn motivated producers to enter and persist in the nascent market, shaped their choices about product and exchange and formed the basis for the products' valuation.

Cognitive industry legitimation. To create cognitive legitimacy for their nascent industries, new ventures face the daunting task of legitimizing their industries' novel operating practices, models, and ideas (Zimmerman & Zeitz, 2002). In this regard some kind of consolidation – i.e. isomorphism - among the ventures that populate a nascent industry may be most important. Accordingly, while organizational forms that are consolidated are categorized by their audiences as more legitimate and acquire more resources while nascent industries with differentiated organizational forms are more likely to be categorized as illegitimate and tend to fail (c.f. King et al., 2011; Navis & Glynn, 2010)[11].

In this regard, attempts to yield collective product standards and a collective identity have been regarded as driving a nascent industries' cognitive legitimation (Aldrich & Fiol, 1994; King et al., 2011; Wry et al., 2011): Accordingly, when new ventures encourage convergence around dominant designs and technology stands, they are more likely to gain cognitive legitimacy for their industry – although this may imply for self-interested new ventures to imitate and follow their competitors rather than seeking further innovation and differentiation (Aldrich & Fiol, 1994). Yet, until such consolidation may be reached, the industry's liability of newness may be high and the failure of existing ventures may be frequent. In a related way, new ventures are more likely to yield both a shared collective identity and cognitive legitimacy for their nascent industry when they achieve consensus on and jointly articulate a clear collective identity story to achieve a consolidated vision for the industry and to sustainably attract both resource-holders and further entrants.

Overall, while a large number of studies have furthered our knowledge on the practices of new ventures to acquire legitimacy, efforts have been made recently to conceive of such legitimation strategies not as endeavor of individual ventures but as collective enterprise that requires buy-in of and coordination among the majority of ventures that may populate an industry.

2.6. TOWARDS A PROGRAM FOR FUTURE RESEARCH

As our review has shown, the field of research on new venture legitimacy and new venture legitimation has amassed a considerable amount and depth of insights. Still, a large number of opportunities for highly relevant future research remain. Our

[11] As we outlined previously, the reverse appears to hold for established and mature industries where audiences may look for ventures that are legitimately differentiated from the remaining population (Navis & Glynn, 2010; cf. Zuckerman, 1999).

suggestions in this regard pertain to the following three areas: Seizing the applied legitimacy and legitimation typology, mobilizing alternative legitimacy and legitimation typologies, and exploring further contingencies on new venture legitimacy and legitimation.

2.6.1. Seizing the Applied Legitimacy and Legitimation Typology

A number of research gaps have remained under- or even unexplored with regard to new ventures' and their industries' regulative, sociopolitical normative, and cognitive legitimacy and legitimation. Further explorations of these legitimacy types will be critical for furthering our understanding of new venture outcomes in general and of their legitimate characteristics and legitimation strategies in particular.

Regulative legitimacy and legitimation of new ventures and industries. Overall, how managers of new ventures are affected by or actively affect the regulative legitimacy of their new ventures and industries has received comparatively least attention (see Figure 2). In furthering prior research in this area, we are in particular need of both theoretical and empirical studies on *how new ventures gain regulative legitimacy either individually for their novel products or ventures or collectively for nascent industries*. For instance, while prior research has shown *that* certifications are important for new ventures to acquire legitimacy and resources (e.g. Rao, 1994; Sine et al., 2007), we do not know *how* they go about and which practices they mobilize to acquire product certifications from authorized agencies. More generally, a large number of industries and professions require formal and official regulation in order to publicly offer their products and services including, for instance, pharmaceutical, construction, or military products and services. Yet, we do not know *which ventures tend to receive regulatory approval* or *how new ventures (individually or collectively) mobilize to have their ventures and nascent industries legalized and regulated*. Future explorations of these questions may for instance extend the reach of recent work on lobbying and strategic political action (cf. Oliver & Holzinger, 2008).

Normative legitimacy and legitimation of new ventures and industries. Prior research predominantly suggests drawing on perspectives of symbolic action and impression management for theorizing the strategic actions actors in general and new ventures in particular engage in to acquire normative legitimacy.

Regarding the former, i.e. perspectives on symbolic action, several scholars have argued that organizations can acquire normative legitimacy by means of either *symbolic* legitimation or *substantive* legitimation (e.g. Ashforth & Gibbs, 1990; cf. Westphal & Zajac, 1994). While *substantive legitimation* involves "real, material change in organizational goals, structures, and processes" which thus implies the concrete commitment of 'substantive' (i.e. material or economic) resources, *symbolic legitimation* rather implies that the focal organization may rather "portray – or symbolically manage – so as to *appear* consistent with social values and expectations" (Ashforth & Gibbs, 1990: 180) while refraining from substantive changes and investments. Examples of such symbolic management include, for instance, "espousing socially acceptable goals… while actually pursuing less acceptable ones", "redefining [audiences' valued] means and ends", or "ceremonial conformity… while leaving the essential machinery of the organization intact" (Ashforth & Gibbs, 1990: 180-181). Yet, with a predominant focus on new ventures' symbolic action, new ventures' substantive legitimation processes and their consequences have remained under-researched. Accordingly, a number of important questions urgently require exploration to create more fine-grained and less 'heroic' accounts of new venture outcomes: For instance, *under which circumstances do new ventures engage in substantive or in symbolic legitimation?* Do *new ventures engage in substantive and symbolic legitimation in a parallel or in a sequential fashion? And what are the consequences of substantive and symbolic legitimation processes for new ventures?*[12]

[12] As outlined in the introduction of this dissertation in Chapter 1, in the subsequent CHAPTER 3, we will begin to explore this important research gap by studying a new venture's SYMBOLIC AND SUBSTANTIVE legitimation practices.

Regarding the latter, i.e. impression management perspectives, prior research has predominantly focused on the "front-stage" on the front stage of impression management (cf. Goffman, 1959), that is, on how new ventures (and organizations more generally) *deploy* impression management strategies such as identity narratives and other impression management "performances" to acquire legitimacy when facing a 'target audience' (i.e. a targeted resource-holder) (e.g. Zott & Huy, 2007). Yet, while successful new venture managers may invest considerable time and energy into the preparation of their impression management strategy (cf. e.g. Santos & Eisenhardt, 2009), studies of the *"back-stage" of impression management*, where actors may prepare and rehearse their impression management strategies remote from the view of their target audience (cf. Goffman, 1959), are notably absent. Overall, we thus lack theory on *how (normative) legitimation strategies are "crafted"* and on *how impression management performances get shaped* (cf. Sonenshein, 2006).[13]

Cognitive legitimacy and legitimation of new ventures and industries. Several opportunities exist for building on the large number of studies on the role of ventures' cognitive legitimacy and cognitive legitimation: First, while new ventures in *nascent industries* may need to achieve consolidation of their forms, identities, and standards to become meaningful to their audiences and to acquire resources (e.g. Aldrich & Fiol, 1994), existing explorations have remained partial in explaining *how consolidation among self-interested new ventures' forms, identities, and standards occurs in nascent industries* (cf. King et al., 2011; Wry et al., 2011). Drawing on social movement theory to conceive of consolidation processes as "framing contests" (cf. Benford & Snow, 2000), it becomes meaningful and relevant to study the *frames new ventures mobilize individually or collectively to drive or to counter consolidation in nascent industries?* In this regard, it would also be particularly fruitful to study *why and how certain new ventures* (such as Apple) *can successfully shield themselves from*

[13] As outlined in the introduction of this dissertation in Chapter 1, in CHAPTER 4, we will address this important research gap by addressing how managers create a legitimating narrative (a specific type and modality of an impression management strategy) at the BACK-STAGE of their new venture.

consolidation processes in nascent industries. Second, while new ventures in *mature industries* may need to legitimately differentiate themselves (Navis & Glynn, 2011; cf. Zuckerman, 1999), recent sociological work suggests that all actors in established fields (such as industries) act strategically to achieve differentiation from competing groups (Fligstein & MacAdam, 2011). Yet in this case, we do not know *which patterns of (more/less legitimate) differentiation arise in mature industries*. Recent work in social network theory on actors' *status hierarchies* and *status competition* might proof fruitful to answer this and related questions (Sauder, Lynn & Podolny, 2012).

2.6.2. Mobilizing Alternative Legitimacy and Legitimation Typologies

Additionally, even more opportunities for future research appear once we draw on other influential legitimacy typologies (e.g. Asforth & Gibbs, 1990; Deephouse & Suchman, 2008; Suchman, 1995) to study new venture characteristics, actions, and outcomes.

External <u>and</u> internal legitimacy and legitimation. Perhaps most generally, sources of legitimacy may include both "internal and external audiences who observe organizations and make legitimacy assessments" (Deephouse & Suchman, 2008: 54) where *internal legitimacy* may thus be granted from internal stakeholders such as employees and executives while *external legitimacy* may be granted from external stakeholders such as investors and customers (cf. Kostova & Zaheer, 1999). Accordingly, to become sustainable organizations, new ventures will require external legitimacy – the predominant focus of prior research – but also internal legitimacy. Yet, both the focus on internal legitimacy/legitimation as well as the combined exploration of internal *and* external legitimacy/legitimation of ventures has remained relatively absent (for exceptions, cf. e.g. Drori et al., 2009 or the few other underlined studies in Table 2-2). Such a balance of internal and external legitimacy will be particularly critical for *corporate ventures*, newly created corporate subunits with the aim to enter new markets for their parent companies or to market new products. While prior research on corporate ventures has primarily focused on the *internal* corporate context (i.e. the interactions between venture and corporate parent) in mediating venture survival (e.g. Burgelman, 1983), a more fine-grained picture may be yielded from the study of *how corporate ventures secure coherence between their internal and external legitimacy*.

Pragmatic legitimacy and legitimation. When comparing the two most widely applied legitimacy typologies – Scott's (2007), which we applied to structure the findings of the present review, as well as Suchman's (2005) – Suchman's (2005) focus on organizations' *pragmatic legitimacy and legitimation* has remained largely uncovered both in this review as well as in prior research on new ventures (cf. Starr & MacMillan, 1990; Zott & Huy, 2007, for exceptions). Pragmatic legitimacy, which may rest on the self-interested calculations of a venture's immediate audiences, involves two sub-types (cf. Suchman, 1995): First, a venture's *exchange legitimacy* will be based on the excepted valued for an audience of exchanging with the venture (Suchman, 1995: 578). Building on recent developments in the sociology of value and valuation (e.g. Zuckerman, 2012), future research could explore *how audiences' social categorizations determine the value of a new venture or how new ventures affect the value judgments of their audiences.* Second, *influence legitimacy* follows from incorporating institutional constituents into a ventures' policy making structures (Suchman, 1995: 578), which is elsewhere referred to as 'cooptation' (cf. Selznick, 1948). While cooptation may involve for new ventures agreeing to share control rights with their investors or to have their strategies (co)determined by external advisors in return for investors' support, we do not exactly know *what forms of new venture cooptation exist* and *how cooptation affects new venture outcomes*.

Maintaining and defending legitimacy. The study of "legitimation" generally involves explorations of how actors acquire, maintain, and defend their legitimacy (e.g. Ashforth & Gibbs, 1990; Suchman, 1995). Yet, the studies we reviewed show a predominant interest in how new ventures individually or collectively *acquire* legitimacy. Given that new ventures typically lack both legitimacy and resources, this general direction of prior research is both understandable and necessary. Additionally, however, there are number of reasons for focusing as well on *how new venture managers individually and collectively aim to maintain and defend their ventures' and industries' legitimacy.* For instance, during the stages of foundation and early growth, new industries are oftentimes characterized by "high velocity", that is, by rapid transformations of product types, populating organizations, or consumer preferences. In such contexts, new ventures have to live up to changes in their social and cultural environment in order to maintain initial resource-flows. From this perspective, the maintenance of legitimacy even appears as decisive 'dynamic capability' for new ventures in dynamic settings.

2.6.3. Exploring Structural Contingencies

In addition to those industry- and venture-characteristics that have been covered in the literature, a number of further contingencies act as important constraints on new venture legitimacy and legitimation and thus deserve increased attention by future research. Here, we aim to highlight only a number of those contingencies that we consider as most relevant and profound.

Institutional complexity. Institutional complexity may perhaps act as the most important of these contingencies. We thus need to deepen our understanding of *how ventures acquire legitimacy in situations of institutional complexity*, that is, when facing resource-holders with plural or even conflicting demands or when operating in multiple contexts. For the former, while prior research has portrayed resource-holders as relatively uniform, the demands of, e.g. investors, consumers, or governmental bodies are multiple and may appear, at least in part, conflicting. For the latter, new ventures oftentimes operate in multiple contexts such as sectors, industries, or countries or, in the case of corporate ventures, they face demands of their corporate parents as well as of other external resource-holders. Yet then, the important question arises, how and when a new venture appears legitimate to multiple resource-holders and/or in multiple contexts – each with potentially conflicting regulative, normative, or cognitive demands and affordances.

To answer these questions, future research could build on a number of theoretical paradigms: First and most generally, resource dependence theory suggests a number of tactics that new ventures might engage in to "compromise", "manipulate" or "deny" conflicting demands of external constituents (cf. Oliver, 1991; Pache & Santos, 2010). Second, from stakeholder theory-perspective, new ventures' responses and strategies may depend on the perceived priority of a resource-holder on the venture's agenda which may be determined by a focal resource-holder's power, perceived legitimacy, and urgency (cf. Mitchell et al., 1997). Third, from a social network theory perspective, particularly skillful new ventures may also aim to engage in "robust action", that is to act in an ambiguous and sphinxlike manner and to create a "multivocal identity" so that its actions can be "interpreted coherently [and favorably] from multiple perspectives simultaneously" (Padgett & Ansell, 1996: 1263; cf. White, 2008).

New venture position. Research on new ventures' cognitive legitimation studies have assumed new ventures to be "skillful cultural operators" and rhetoricians who can draw on their audiences' cultural beliefs and understandings as symbolic "toolkit" to create stories that win their constituents' support and resources (e.g. Lounsbury & Glynn, 2001; Navis & Glynn, 2010). Yet, as recent cultural research points out, these claims potentially suffer from two exaggerations: First, "although rhetorical strategies leave room to maneuver, social actors are not free to strategically choose from the *entire* menu or toolkit" (Meyer & Hoellerer, 2010: 1242, emphasis added). Accordingly, individual ventures' accounts may be distributed and constrained within the field according to their social positions – thus pointing out that future research is in need to explore different *patterns of individual ventures' understanding and power within their newly entered market contexts*.

New venture evolution. Social actors' potential for strategic cultural action may not only be constrained by their social position but also by their *evolution* (Weber, 2005). In this regard, recent arguments in the literature that new ventures be skillful symbolic actors already at the time of foundation and market entry (e.g. Hallen & Eisenhardt, 2012; Lounsbury & Glynn, 2001; Martens et al., 2007) appear unrealistic as most new ventures may rather suffer from a lack of understanding of the norms and industry recipes of the markets and fields they enter (cf. Stinchcombe, 1965). Rather than assuming *that* new ventures typically *have* a capacity for strategic legitimation and resource acquisition, future research might thus fruitfully begin to explore *how new ventures gain a capacity for strategic legitimation* – that is, how they *acquire* the necessary 'domain knowledge' (Ganz, 2000) and 'cultural repertoire' (Weber & Dacin, 2011) or how they *construct* the 'legitimacy façade' that enables them to decouple their inherent interests from their externally visible, ceremonial structures (cf. Meyer & Rowan, 1977).

2.7. DISCUSSION

Our objective in this chapter was to provide an overview of how the concept of legitimacy has been applied in prior research on new ventures. Legitimacy – a concept central to a large number of social and cultural theories – provides new ventures with a reservoir of support among their actual and potential stakeholders which facilitates accessing urgently needed resources (including economic capital, human capital, and social capital) and overcoming their liabilities. The review provides evidence for the significant impact that prior applications of the concept of legitimacy has had on the field's understanding of characteristics and actions of new ventures in general and of how they can acquire resources, survive, and grow in particular.

In this regard, our systematic review has uncovered 4 central and distinctive research trajectories across the generic disciplines of organization theory and strategy, entrepreneurship, and sociology. Depending on scholars' assumed degree of agency (low/high) and the explored level of analysis (individual/collective), these trajectories were (1) 'Legitimate New Venture Characteristics' (low/new venture) focusing on new venture characteristics that yield legitimacy, (2) 'Legitimate Industry Characteristics' (low/collective) focusing on industry characteristics that yield new venture legitimacy independent on a venture's idiosyncratic characteristics, (3) 'New Venture Legitimation strategies' (high/individual) focusing on the practices of managers to acquire legitimacy for their new ventures, and (4) 'Industry Legitimation strategies' (high/collective) focusing on the practices of a collectives of new ventures to acquire legitimacy for their (typically emerging) industries.

Although the contributions within these 4 trajectories have been remarkably and significant, fully realizing the potential of these areas of study will require future research to both dig deeper into these areas of study but also to explore further aspects and typologies in order to create a more fine-grained picture of how legitimate characteristics and legitimation strategies may aide new ventures in overcoming their own liabilities and those of their industries. We trust that this review and the program for future research which we outlined will contribute to the advancement of research in these fascinating areas of research.

In the 2 subsequent chapters, we proceed with addressing those 2 critical future research opportunities which we highlighted regarding a new venture's NORMATIVE LEGITIMATION. We thus explore a new venture's SYMBOLIC AND SUBSTANTIVE LEGITIMATION practices in the subsequent CHAPTER 3 and theorize the "BACK-STAGE" OF IMPRESSION MANAGEMENT in CHAPTER 4.

3. HOW NORMATIVE NEW VENTURE LEGITIMATION STRATEGIES EVOLVE: THE RELEVANCE OF CULTURAL KNOWLEDGE FOR SYMBOLIC LEGITIMATION[14]

Abstract. In this chapter, THEORETICAL GAP 1 will be addressed. Hence, both SUBSTANTIVE AND SYMBOLIC new venture legitimation practices will be explored. In this regard, we address RESEARCH QUESTION 1: How do new venture legitimation practices evolve across repeated resource acquisition attempts? Through a longitudinal qualitative study, we uncover a new venture's cultural knowledge – the knowledge about the norms and values in the cultural environment of its resource-holders – as central 'change engine' of the new venture's legitimation practices. At the time of venture creation and market entry, lack of cultural knowledge forced the new venture to engage in substantive legitimation which enabled resource acquisition but endangered its survival through 'resource dissipation'. The new venture was only able to mobilize symbolic legitimation practices which enabled both resource acquisition and survival after it had accumulated cultural knowledge through repeated experimental interactions with resource-holders throughout 4 years in the market. Implications for research on new venture legitimation and new venture survival are discussed.

[14] Earlier versions of this argument have been accepted and/or presented at several international, peer-reviewed conferences including the AOM conference 2011 and 2012, the EGOS conference 2011, and the SMS conference 2012.

3.1. INTRODUCTION AND BACKGROUND

Normative legitimacy follows when an organization is considered to be aligned with the cultural norms and values of its audiences (Bitektine, 2011) and when these audiences thus consider the organization's apparent intentions and actions as "the right thing to do" (Suchman, 1995: 579). According to institutional theory, normative legitimacy is central for an organization to acquire the (financial, human, or material) resources necessary to survive and persist in a chosen environment (e.g. Meyer & Rowan, 1977). In particular, for new ventures – including independent- and corporate ventures in their first years of existence –, normative legitimacy is frequently considered as decisive asset as it provides them with a reservoir of trust and support among potential resource-holders which in turn facilitates new ventures' access to the desperately needed but scarce resources (Khaire, 2010; Zott & Huy, 2007) on which new ventures are dependent in order to overcome their 'liability of newness' and survive (Singh, Tucker, & House, 1986; Stinchcombe, 1965, Zimmerman & Zeitz, 2002).

Due to their "flexibility and economy", organizations have been depicted as preferring to acquire normative legitimacy[15] through symbolic legitimation practices (Suchman, 1995: 577; cf. Ashforth & Gibbs, 1990). Symbolic legitimation enables an organization to acquire normative legitimacy by appearing consistent with the values and norms in the cultural environment of its resource-holders while pursuing its own, divergent interests (Ashforth & Gibbs, 1990; cf. Suchman, 1995). Symbolic legitimation can thus take the form of "espousing socially acceptable goals... while actually pursuing less acceptable ones", "redefining [resource-holders'] valued means and ends", or decoupling, that is, "ceremonial conformity... while leaving the essential machinery of the organization intact" (Ashforth & Gibbs, 1990: 180-181).

[15] For reasons of convenience and readability, we refer to "normative legitimacy" as "legitimacy" throughout the remainder of this study.

Recently, institutional theorists have begun to particularly explore the symbolic actions new ventures engage in to acquire legitimacy and resources from targeted resource-holders. In this regard, new ventures have been characterized as "skillful symbolic actors" – supposedly already at their time of their creation and market entry (cf. Rao, 1994; Lounsbury & Glynn, 2001; Navis & Glynn, 2011; Zott & Huy, 2007). These studies have argued that new ventures can, for instance, draw on vocabularies that resonate with resource-holders' cultural values and expectations (e.g. Lounsbury & Glynn, 2001; Martens et al., 2007; Navis & Glynn, 2011), and that they are capable to reference the quality of their inter-organizational relationships (Zott & Huy, 2007) or to select resource-holders in areas that are particularly beneficial to the new venture's interests (e.g. Zimmerman & Zeitz, 2002).

However, several cultural theorists would rather question institutionally-minded characterizations of new ventures as "skillful symbolic operators" at their time of their creation and market entry. They would instead point to a potentially "drastic and costly" "culture shock" that many new ventures – as new entrants to a given cultural environment – would experience when facing the norms and values of targeted resource-holders for the first time (cf. e.g. Swidler, 1986: 277). From a cross-cultural perspective, new ventures may then – through repeated interactions with their resource-holders – rather have to explore what the norms and values in this environment may be (e.g. Shenkar, Luo & Yeheskel, 2008). Through these interactions, new ventures may gradually come to be influenced by their cultural environment in 'symbolic' ways. Rather, and conversely to the institutional argument, *symbolic influence* – the conscious adoption and use of cultural symbols "as means to their own ends" (Barley, Meyer & Gash, 1988: 26)[16] – may then only *gradually* enable new ventures' symbolic legitimation practices.

[16] Please note that "symbolic influence" is thus different from the more widely studied "conceptual influence" of cultural environments upon new entrants. Conceptual influence, which results when new entrants appropriate "the perspective of their cultural environment so thoroughly that may come to wield it as if it were their own", may thus lead to conformance with resource-holders' legitimacy criteria and may thus gradually disable a new venture from mobilizing symbolic legitimation practices (Barley …

As follows, the purpose of this study is to tackle the ambiguity that has arisen between institutional and cultural explanations about a new venture's capacity of symbolic legitimation. To do so, the in-depth study of the actual *evolution* of a new venture's legitimation practices will be particularly revealing. In this respect, some studies have already argued that in order to survive, a new venture needs to repeatedly acquire legitimacy and resources from different resource-holders in their targeted cultural environment (Zimmerman & Zeitz, 2002; Starr & MacMillan, 1990), yet that legitimation practices may vary in success and feedback from targeted resource-holders (Cornelissen & Clarke, 2010; Lounsbury & Glynn, 2001; Santos & Eisenhardt, 2009; Starr & MacMillan, 1990). The feedback that these legitimation practices trigger may in turn influence whether a new ventures reinforces, refines, or replaces its legitimation practices between its resource acquisition attempts (cf. Cornelissen & Clarke, 2010). These initial insights were critical four our revision and elaboration of <u>how the legitimation practices of a new venture evolve across repeated resource acquisition attempts.</u>

To explore this question, we conducted an intensive, longitudinal case study on the evolution of a new corporate venture's resource acquisition attempts in the public sector outsourcing market of a large European country. Relying on the new venture's six absorbing and sequential bidding processes for public sector authorities' service delivery outsourcing contracts as a series of embedded resource acquisition attempts to track the new venture's legitimation practices, we drew on institutional theory and cultural theory to interpret our findings.

Through our analysis, we identified the new venture's *knowledge* about the cultural norms and values of its resource-holders (i.e. of public sector authorities) as central determinant for its symbolic legitimation practices. Drawing on cultural theory, we chose to refer to such knowledge as *cultural knowledge* (e.g. Molinsky, 2007; 2013).

et al., 1988: 26). Conceptual influence is thus similar in scope as the institutional theory notion of "institutional inhabitation" (cf. Hallett, 2010).

The new venture was only able to mobilize *symbolic legitimation practices* that contributed to its survival after it had *gained* cultural knowledge throughout four years in the market. Conversely, at the time of organization creation and market entry, its lack of cultural knowledge forced the venture to resort to *substantive legitimation* practices – actual, material conformance to resource-holders' legitimacy criteria (cf. Ashforth & Gibbs, 1990) – which subsequently led to 'resource dissipation' (Bruederl & Schuessler, 1990) and threatened the venture's survival. In a subsequent phase, the new venture thus saw itself forced to repeatedly engage in *experimental interactions* with resource-holders in order to gradually adapt its repertoire of bidding practices by repeatedly 'testing' how to gain legitimacy and resources in ways that were more *symbolic* in nature, that is, more protective of its interests and resources and thus more beneficial for its survival. Experimentation thus enabled the organization to gradually accumulate the cultural knowledge necessary for mobilizing symbolic legitimation practices.

Our study contributes the concept of *cultural knowledge* as antecedent condition for *symbolic legitimation* (Ashforth & Gibbs, 1990; Suchman, 1995) which will be beneficial for *new venture survival* in that symbolic legitimation both enables *resource acquisition* (Lounsbury & Glynn, 2001; Navis & Glynn, 2011; Zott & Huy, 2007) but also prevents *resource dissipation* (Bruederl & Schuessler, 1990). In turn, *substantive legitimation* which resulted from the new venture's lack of cultural knowledge may even promote *new venture failure* in that it may lead a new venture to *resource acquisition* but to even more *resource dissipation*. Accordingly, while prior research on new venture legitimation has predominantly focused on how new ventures can *acquire* the resources needed for growth and survival (Khaire, 2010; Singh et al., 1986; Zimmerman & Zeitz, 2002), new venture survival may hinge on the ability of new ventures to both *acquire* new resources but also to *protect* existing resources. On this basis, the question to ask for future research appears to be not only *whether and how* new ventures can acquire legitimacy and resources but also: how beneficial or how dangerous are legitimation practices for new ventures themselves?

We proceed as follows: After transparently laying out our research setting and methods, we present a detailed narrative with our empirical findings. Subsequently, we interpret these findings to elaborate existing theory on new venture legitimation. We conclude with a discussion of our study's theoretical implications.

3.2. RESEARCH SETTING AND METHODS

To study how the legitimation practices of a new venture evolve across repeated resource acquisition attempts, we chose an interpretive, contextualist methodology due to the processual focus of our research question (Pettigrew, 1990; Ketokivi and Mantere, 2010; Van Maanen, 1979) and conducted a longitudinal, exploratory case study (Stake, 1995) of the new corporate venture PUB-BLUE's[17] repeated resource acquisition attempts in the public sector outsourcing market. Hereby, PUB-BLUE's repeated bidding processes for public sector outsourcing contracts served as embedded cases of a new venture's resource acquisition attempts and allowed a clear cut cross-temporal comparison of the legitimation practices that the new venture mobilized within them.

3.2.1. Research Setting

We selected this research setting for its theoretical and practical relevance (Miles & Huberman, 1984): PUB-BLUE is a prototypical case to study how a new venture repeatedly attempted to acquire resources from resource-holders in order to grow and survive in an established market environment: Neither PUB-BLUE nor its parent BLUE – an international provider of private sector business process outsourcing services – had done process outsourcing for public sector organizations before. Yet, since its initiation in 2005, PUB-BLUE has managed to win 3 of its 6 contract bidding attempts (i.e. bid 1, bid 4, bid 5, bid 6 short before signature). These contracts consist

[17] A pseudonym. All names - and where necessary other aspects - have been altered in deference to our informed consent confidentiality agreements with the organization and our informants.

in large-scale and long-term joint public service delivery contracts between a public sector authority and a private sector organization. While the public sector outsourcing market is relatively small – on average 4-8 tenders of public sector authorities are launched per year – the contracts are substantial and involve an average contract length of 10 years, an average contract value of USD 250 million and the temporal transfer of up to 1.000 public sector employees to the private sector company. Winning 3 public sector outsourcing contracts over the course of our investigation thus enabled PUB-BLUE to grow substantially through the increase of both substantial monetary as well as human resources.

The public sector outsourcing market is also a prototypical setting for transparently observing a new venture's dependence on resource-holders' norms and values. Due to the venture's principal reliance on public sector authorities as resource-holders, the venture had to cope with the values and norms of the public sector environment of this respective country. PUB-BLUE accordingly faced resource-holders who aimed to increase the public welfare in their specific geographical areas of their authorities (as *value*). To acquire bidding contracts (and thus urgently needed resources), the new venture thus had to appear aligned with the *public welfare value* of public sector authorities. Moreover, contract bids (i.e. resource acquisition attempts) of the venture also had to adhere to detailed bidding requirements (as *norms*) which the resource-holding public sector organizations prescribe in order to secure that their values and interests are met. Accordingly, bidding processes in this environment are typically initiated by a tender of the public sector organization and take 1-3 years until an outsourcing agreement is reached and an according contract is signed. As bidding processes are triggered and led by public sector organizations, they have to conform to the extensive guidelines of the public sector in this respective country. Bidding processes have to be formal, transparent, and to follow the public sector protocol. They involve several rounds of submission and evaluation of public-sector tender-documents such as "pre-qualification questionnaires" and according bid-responses.

3.2.2. Data Collection

Initially interested more broadly in the dynamics of how PUB-BLUE addresses its institutional and strategic challenges, we collected data primarily during four extended field stays ranging between 10 days and 3 weeks with PUB-BLUE throughout 2008 to 2010 (see Table 3-1). As this study oriented increasingly on the evolution of a new venture's bidding practices as central manifestation of its institutional and strategic challenges, the data collection between our field stays gained in focus in this respect. As we became aware that PUB-BLUE's bidding practices must have changed drastically between bid 1 and current bids, we focused our data collection efforts during our stays 3 and 4 on unearthing *how* and *why* such a radical evolution in PUB-BLUE's bidding practices had occurred. We relied on three primary data collection methods: interviews, documentary data, non-participant observation of bidding processes 5 and 6.

Interviews. We conducted 41 semi-structured, open-ended and tape-recorded interviews with those members of PUB-BLUE which were involved in its bidding processes (average duration: 55 minutes, see Table 3-2). We transcribed and thoroughly read through those interviews we considered most insightful during and immediately after each field stay (Miles & Huberman, 1984). All interviews were based on interview guidelines which accounted for the adjusted and narrowed focus from one field stay to the next (See Tables 3-3 - 3-5) and were transcribed verbatim.

Initially starting with a snowball sampling approach, we started our first field stay with two semi-structured and open-ended interviews with Frederic, the founder and top manager of PUB-BLUE, and then followed-up with interviewing 10 further key actors of PUB-BLUE. This group formed our core group of interviewees that we interviewed throughout the study. During field stay 3, we seized the opportunity to contextualize these core data with interviews with a public sector outsourcing expert who consulted for PUB-BLUE as well as 3 members of the public sector local authority of bidding process 5.

Table 3-1: Overview of Data Status per Bid

			Bid 1 Authority_1	Bid 2 Authority_2	Bid 3 Authority_3	Bid 4 Authority_4	Bid 5 Authority_5	Bid 6 Authority_6
Bid Overview	Duration		2004-2005	Spring 2006	Autumn-Winter 2006	2007-2008	2009-2010	2009-ongoing
	Bid Outcome		Contact Signed	Rejected after Round 1	Rejected after Round 2	Contract Signed	Contract Signed	In Final Round
Data	**Interviews (Total: 41)**		retrospective	retrospective	retrospective	retrospective	real-time/ prospective	real-time/ prospective
	Documents	Bid Documentation	complete	Complete	complete	complete	partial	partial
		Bid Memos	-	Yes	Yes	yes	-	-
		Minutes	complete	Complete	complete	complete	-	-
		Council feedback documents	yes	Yes	Yes	-	-	-
		Other Council documents	yes	Yes	Yes	yes	yes	yes
	Participant Observation		-	-	-	-	yes	yes

Table 3-2: Overview of Interviews per Field Stay

No	Stay	Date	Informant	Min.	Status
1	1	20090608	PUB-BLUE, CEO	40	taped, transcr.
2	1	20090611	PUB-BLUE, CEO	85	taped, transcr.
3	1	20090611	PUB-BLUE, CFO	90	taped, transcr.
4	1	20090612	PUB-BLUE, SMgmt, Dir-Contract1	55	taped, transcr.
5	1	20090616	PUB-BLUE, Ass.Bid-Man	85	taped, transcr.
6	1	20090616	PUB-BLUE, MMgmt, Bidder	85	taped, transcr.
7	1	20090617	PUB-BLUE, MMgmt, Bidder	90	taped, transcr.
8	1	20090618	PUB-BLUE, SMgmt,Dir-Contract2	90	taped, transcr.
9	1	20090622	PUB-BLUE, MMgmt, Bidder	55	taped, transcr.
10	1	20090623	PUB-BLUE, MMgmt, Bidder	90	taped, transcr.
11	1	20090623	PUB-BLUE, MMgmt, Bidder	65	taped, transcr.
12	1	20090629	PUB-BLUE, CEO (1)	45	taped, transcr.
13	1	20090629	PUB-BLUE, CEO (2)	35	taped, transcr.
14	1	20091128	Consultant (PUB-BLUE)	60	not taped, notes
15	1	20091222	PUB-BLUE, CEO	20	not taped, notes
16	2	20100217	Authority_5, BidMan	25	taped, transcr.
17	2	20100217	Authority_5, SMgmt	35	taped, transcr.
18	2	20100219	Authority_5, CEO	35	taped, transcr.
19	2	20100219	Authority_5, MMgmt	45	taped, transcr.
20	2	20100302	PUB-BLUE, CEO	55	taped, transcr.
21	3	20100324	PUB-BLUE, MMgmt, Bidder	35	taped, transcr.
22	3	20100324	PUB-BLUE, SMgmt, Bidder	45	taped, transcr.
23	3	20100324	PUB-BLUE, MMgmt, Bidder	40	taped, transcr.
24	3	20100325	PUB-BLUE-Subcontr. SMgmt, Bidder	65	taped, transcr.
25	3	20100325	PUB-BLUE, MMgmt, Bidder	40	taped, transcr.
26	3	20100414	PUB-BLUE, MMgmt, Bidder	55	taped, transcr.
27	3	20100414	PUB-BLUE, Ass.Bid-Man	40	taped, transcr.
28	3	20100416	PUB-BLUE, MMgmt, Bidder	75	taped, transcr.
29	3	20100419	PUB-BLUE, BidMan.	65	taped, transcr.
30	3	20100419	PUB-BLUE, SMgmt, Bidder	75	taped, transcr.
31	4	20100917	PUB-BLUE, Mmgmt, Lobby/Capital (1)	40	taped, transcr.
32	4	20100917	PUB-BLUE, Mmgmt, Lobby/Capital(2)	35	taped, transcr.
33	4	20100918	PUB-BLUE, MMgmt, Bidder	60	taped, transcr.
34	4	20100918	PUB-BLUE, SMgmt, Bidder	80	taped, transcr.
35	4	20100920	PUB-BLUE, SMgmt, Head ERYC	60	taped, transcr.
36	4	20100920	PUB-BLUE, SMgmt, Bidder	90	taped, transcr.
37	4	20100921	PUB-BLUE, MMgmt, Bidder, Dir Contract3	60	taped, transcr.
38	4	20100921	PUB-BLUE, MMgmt, Bidder, Vice-Dir. Contract3	90	taped, transcr.
39	4	20100924	PUB-BLUE, MMgmt, Bidder	65	taped, transcr.
40	4	20101018	PUB-BLUE, CEO	95	taped, transcr.
41	4	20101018	PUB-BLUE, Bidding coordinator	35	taped, transcr.
			Total	**40.5 h**	

Table 3-3: Interview Guide Field Stay 1: The Market Environment, Evolution and Strategic Issues of PUB_BLUE

Intended contents	Questions
History of New venture:	
- Reflection on history of market environment	- At the time of PUB-BLUE's creation and market entry, how did the public sector outsourcing (PSO) business work?
- Reflection on PUB-BLUE within market environment	- How do you recall PUB-BLUE working then?
- Reflection on market environment and new venture's actions within	- Have there been any changes since – both in terms of the PSO business as well as how PUB-BLUE works?
- Theory in use on mismatch between market environment and new venture	- Do you recall instances where you felt PUB-BLUE being out of sync of the PSO business? - What differentiated PUB-BLUE from its competitors?
- BPO in private vs BPO in public sector	- In your judgment, is the business process outsourcing-business (BPO) in the public sector different from the BPO-business in the private sector at all? If so, how?
Most important issues for new venture:	
- Estimate of new venture performance	- In your judgment, does AGS have it right?
- Interpretation of new venture issues (prior, current, future)	- What have been PUB-BLUE's most important challenges? - What do you consider PUB-BLUE' *current* challenges? - Do you think PUB-BLUE is prepared for these and future challenges? How so?
- How new venture has tackled/will tackle issues	- How did PUB-BLUE address these challenges in the *past*? How will PUB-BLUE address challenges in the *future*?

Table 3-4: Interview Guide Field Stays 2-3: Resource-holders, Resource Acquisition Processes

Intended contents	Questions
Current bids (Authority_5 and authorities in general):	
- Reflection on Authority_5 and comparison to other authorities in market environment	- How does Authority_5 work? - How is Authority_5 different from other authorities? - What are the challenges and targets of Authority_5?
- Reflection on Authority_5 expectations about new venture	- What are their expectations about a PSO partner? If so, how are these expectations different from other councils'?
- Reflection on new venture's own interests and targets	- How are you dealing with these expectations? - Besides winning the contract, what are PUB-BLUE's other targets here? How do you make sure you reach these targets?
Bidding process (Authority_5):	
- Reflection on Authority_5 resource acquisition process (and comparison with other resource acquisition processes)	- What kind of bidding process are you engaged in in Bid5? - What are key milestones for you in this process? - How is this process different from other bidding processes you are currently/have previously been engaged in?
- How to acquire resources from Authority_5 (in a sustainable way)	- In order to win this deal, what are the main challenges? How will you tackle these challenges? - In order to win this deal *in a profitable way*, what will then be your main challenges? How to tackle them?

Table 3-5: Interview Guide Field Stay 4: Evolution of Legitimation Practices and -Outcomes across Resource Acquisition Attempts

Intended contents	Questions
- Change in New venture's Legitimacy and Reputation over time	- How has PUB-BLUE's standing evolved across all bids? What were key phases or key changes?
- Change in New venture's Resource Acquisition Team and Infrastructure over time	- How has the PUB-BLUE's bidding team evolved across all bids? What were key phases or key changes? - How has PUB-BLUE's bidding infrastructure evolved across all bids? What were key phases or key changes?
- Change in New venture's Legitimation Practices over time	- How has PUB-BLUE's bidding style evolved across all bids? (in terms of engagement with the authority, your willingness to address demands, etc.) What were key phases or key changes? - How has the way PUB-BLUE engages into *bid writing* evolved across all bids? (in terms of compilation of materials, your "pitch", your precision etc.) What were key phases or key changes?
- Change in New venture's Legitimation and Resource Acquisition Outcomes over time	- Which phase have you reached in each bid? - In how far was that (not) a "success" for PUB-BLUE? - Which feedback did you receive after each bid? - In how far did the feedback influence your subsequent bid?

Our data collection span PUB-BLUE's evolution (2005-2010) of which we covered the period 2008-2010 in real time. We accounted for the caveats of retrospective data (Miller et al., 1997; Pentland, 1999), by using free reports rather than forced reports, allowing informants to not answer a question if they did not remember clearly; by verifying individual retrospective reports by using the same interview guideline and thus asking similar questions in every interview during a field stay as well as by triangulating our interviews with other data types.

Documents. Frederic made available the complete *bid documentations* for each of the bidding processes. Subject to PUB-BLUE's progress, these documentations ranged from about 200 pages per bid when PUB-BLUE failed in the first round of the bid process (as in bid 2) to several thousand pages per bid when PUB-BLUE progressed to the final round and signed a contract (as in bids 1, 4, and 5). Given the technical focus of most of this material, we focused on the document's executive summaries and topical introductions.

Other types of bid-related documentary data included PUB-BLUE's public and private plans and presentations; tender and background documents by tendering local authorities; e-mail correspondence related to the bid; meeting minutes 2005-2009 as well as Frederic's and other members of PUB-BLUE's own notes and memos containing remarks, local authorities' feedback and their key insights from each bidding process.

Non-participant observation. During field stays 1 to 4 and in addition to regular strategy and management meetings, we attended several meetings that were concerned with selection of tenders and the right "story" to pitch PUB-BLUE's services in general and with preparation and execution of bidding processes 5 and 6 respectively (see Table 3-6). Furthermore, we witnessed also talking and writing practices in several of PUB-BLUE's "bidding war rooms".

Table 3-6: Observation of Bid-related Meetings

No	Stay	Date	Participants	Topics	Min.	Status
1	1	20090612	PUB-BLUE: SMgmt, MMgmt	Bid5: First meeting on upcoming bid5 (whether or not to bid)	75	taped, field notes
2	1	20090618	PUB-BLUE: All SMgmt, MMgmt, Consultant	Bid5: "Kick-off meeting" Bid5 (facilitated by external consultant) - What are Authority_5's demands and expectations? - How to present PUB-BLUE to Authority_5?	245	taped, field notes
3	1	20090619	PUB-BLUE: All SMgmt, MMgmt	PUB-BLUE's strategic challenges: Market environment, current bidding agenda	160	taped, field notes
4	2	20100218	PUB-BLUE: Bidders. Subcontractor: Bidders	Bid5: current challenges, misunderstandings, interactions between Blue and council and between Blue and subcontractor	80	taped, field notes
5	2	20100218	PUB-BLUE: Bidders and SMgmt	Bid5: Conference call on current bidding challenges	60	not taped, field notes
6	3	20100323	PUB-BLUE: SMgmt	Bid5: "Financial Bid" + "How to make the numbers look good for Authority_5?"	120	taped, field notes
7	4	20100924	PUB-BLUE: All SMgmt, MMgmt	Senior Management Meeting: Update on Bid5 bidding process, strategic agenda, upcoming bids	160	taped, field notes
				Total	**15**	**h**

3.2.3. Data Analysis

Typical in qualitative analysis, we gradually and iteratively progressed from a very close and detailed immersion with the natives' point of view towards greater theoretical abstraction (Ketokivi and Mantere, 2010). When conducting an inductive thematic analysis of our data (Patton, 1990; Braun & Clarke, 2006) we initially coded 'close to data' as to iteratively identify more abstract, cross-data type codes. We initiated formal data analysis after we had completed our data collection efforts - albeit our empirical and conceptual interpretations had begun much earlier (Miles & Huberman, 1984).

Determining Phases. We started formal data analysis with detailed readings of our data (cf. Braun & Clarke, 2006) and by immersing in a pile of data transcripts that we deemed as most insightful. Our interviewees consistently referred to the overall 2005-

2010 evolution of PUB-BLUE's bids in terms of 3 temporally bracketed phases (cf. Langley, 1999), that we initially labeled as '*Entering the market by winning the first bid*' (comprising mainly of bid 1); '*Finding a sustainable way for winning bids*' (comprising mainly of bids 2-4) and '*Accelerating PUB-BLUE's profitable growth*' (comprising of then current bids 5 and 6 as well as their outlook to prospective bids).

Creating Phase-specific Data Structures. Thoroughly coding our data transcripts with Atlas.ti, we arrived at a very fine-grained list of semantic and latent themes (Braun & Clarke, 2006) that were based on informants' own language and terms. In structuring our data further and thus deriving more general, aggregate dimensions as well as hierarchical nestings, we engaged in what some scholars refer to axial coding (Flick, 2009; Strauss & Corbin, 1998). Such axial coding led us to conclude a hierarchal aggregation of within-phase themes (see Tables 3-7 - 3-9).

At a higher level of abstraction (Level 2), we identified three themes central and providing our phase specific findings both with temporal and hierarchical *structure*: "Knowledge about the public sector", "Bidding practice", and "Outcome". These three themes vary in their parametric contents across the three phases. Thus, we accounted for PUB-BLUE' overall knowledge base and tracked how this knowledge base changed over time. Secondly, we investigated how PUB-BLUE operated in its attempts to formulate and win bids for public sector outsourcing contracts. Specifically, we were interested in how these bidding practices might have changed over the course of the three phases. Lastly, we accounted for the overall – and broadly defined - outcomes of each phase. A third order of abstraction allowed us to metaphorically label and summarize each phase. We present our data structures which oriented the empirical findings narrative that we present below.

Table 3-7: Data Structure - Hierarchical Aggregation of Themes (Phase 1)

<table>
<tr><th>Semantic and Latent Themes</th><th>Abstraction Level 1</th><th>Abstraction Level 2</th><th>Abstraction Level 3</th></tr>
<tr><td>- General knowledge about outsourcing
- Underestimated differences between private sector/publ. Sector outsourcing
- No understanding how councils work</td><td>Exclusive private sector expertise</td><td rowspan="2">Absent public sector knowledge</td><td rowspan="7">Compensation</td></tr>
<tr><td>- Start with blank sheet of paper
- No focus on referencability</td><td>No understanding of bidding conventions</td></tr>
<tr><td>- People ad-hoc drafted into bid from wider BLUE
- Massive external support during bid
- Improvisation/reactive bidding/muddling through</td><td>Ad-hoc Resource Usage</td><td rowspan="2">Compensatory bidding practice</td></tr>
<tr><td>- Very responsive to specifications
- Inferred requirements only from council documents
- «Copy the spec»</td><td>Hyperbolic Responsiveness</td></tr>
<tr><td>- Lucky/accidental win
- Winning Authority_1 contract allowed PUB-BLUE to exist</td><td>Lucky strike</td><td rowspan="3">Heterogeneous outcomes</td></tr>
<tr><td>- PUB-BLUE utilized/manipulated by Authority_1
- Compliance to council without knowing the consequences</td><td>Myopic Compliance</td></tr>
<tr><td>- Bidding caused enormous costs
- No focus on using bidding content again</td><td>Inefficient Bidding</td></tr>
</table>

Table 3-8: Data Structure - Hierarchical Aggregation of Themes (Phase 2)

Semantic and Latent Themes	Abstraction Level 1	Abstraction Level 2	Abstraction Level 3
- Stories and bidding responses around «regeneration»/job creation - Bid 2: Saying that «we don't do this» disqualified PUB-BLUE - Bid 4: Loose promise to look at regeneration later on - Bid 4: suggest other ways to regenerate authority besides job-creation	**Authority Regeneration Issue**	**Attending to public sector requirements** - Learning from bidding experience - Learning from council feedback	**Experimentation**
- Bid 2: Learned from Authority_2 experience: important to score points - Bid 2: Learned from Authority_2 experience: write more concisely - Bids 3/4: bid written more purposefully to score points	**Scoring Issue**		
- Bid 2: learned from Authority_2 feedback: referencability is important - Bid 3: Authority_2 feedback to highlighting referencable aspects of BLUE - Bid 3:Authority_2 feedback led to partner-selection to increase referencability - Bid 3: learned from Authority_3 feedback: reference not tailored to council type ("wrong story") - Bid 4: focus on referencability	**Referencability Issue**	**Experimental Bidding practice** - Use bids as experiments - Nothing to loose - Trial/error	
- Bid 3: learned from Authority_3 feedback: different bidding types (dialogue vs. Restricted procedure) - Bid 3: Authority_3 bid triggered need to create view on how to do this	**Outsourcing 'model' Issue (different bidding types)**		
- Winning Authority_4 created feeling of rightness (internally and externally)	**'Controlled Strike'**	**Accretive Outcomes**	
- Become more efficient in bid writing	**Increased Efficiency and systematicity**		

Table 3-9: Data Structure - Hierarchical Aggregation of Themes (Phase 3)

Semantic and Latent Themes	Abstraction Level 1	Abstraction Level 2	Abstraction Level 3
- Differentiated picture of authorities - Aware of authority requirements - Extended focus on referencability - Receive update information on authorities	**Anticipating authorities' requirements**	**Advanced public sector knowledge**	**Exploitation**
- Aware of councils' differences - Small vs. big authorities - Rural vs. metropolitan authorities	**Anticipating authorities' differences**		
- Adapted to diff. bidding types	**Anticipating bidding types**		
- Distilling «picture» of authority before start of bid - Focus on related sector (e.g. central government) - Focus on client in capital city - Focus on clients around existing clients - Avoid job creation	**Systematic selection**	**Controlled Bidding practice**	
- Tailor presentation to audience - Adapt solution to council type - Identify key authority individuals and respond to their picture	**Systematically tailored pitch**		
- Proactive shaping of tender (before it comes out formally) - Focus on lobbying/business development - Stay in control of bidding process	**Influencing bidding process**		
- On the «automatic list» - Competitors want to work with PUB-BLUE - «We deliver what we promise»	**Satisfactory Reputation**	**Favorable Outcomes**	
- Executing own model - «Direct» the council - Be less submissive - «exploit grey areas»	**Operating from distinct model**		
- Focus on efficient bid writing - Now able to run multiple bids in parallel - Less costs (e.g. external support) per bid - Professionalized bidding team - Draw on and recreate existing bid material	**Efficient and systematic bidding process**		

Theory Elaboration through Conceptual Interpretation. Then, we formally began with a theoretical interpretation of our data structures to address our research question and subsequently to elaborate on existing theoretical considerations (Lee, Mitchell & Sablynski, 1999) by systematically juxtaposing our findings with related literatures on new ventures, institutional theory, and cultural theory.

3.2.4. Trustworthiness of Research Methods

Throughout data collection and data analysis, we took several measures to ensure the trustworthiness of our interpretive research procedures (Lincoln & Guba, 1985). First, we carefully managed our data, including contact records, audio files of interviews and meetings, transcripts, field notes, and documentary data as we collected them. In this regard, we derived a meticulous case study data base relying on Atlas.ti as computer-based qualitative data management program. Second, we undertook reviews of our emergent findings both with our key informants as well as with our peers (cf. Gibbert & Ruigrok, 2010). For the former, we went back to senior managers at PUB-BLUE to discuss our thoughts and emerging results in order to both gauge their validity and to refine our understandings of PUB-BLUE's evolution. For the latter, at several occasions we undertook peer reviews to gain the perspective of experienced outsiders. Peer reviewing thus included engaging researchers not involved in the case study in order to discuss emerging patterns and propositions, to act as sounding board and to point out critical issues throughout the data collection and analysis process. Peers included both department members as well as a senior scholar at another school. Finally, we independently asked two experts for qualitative research methods to evaluate and audit our methodological thematic analysis procedures so as to help secure the robustness of our field analysis and conceptual interpretation.

3.3. FIELD ANALYSIS

As per our time bracketing reported in the above data structures (Langley, 1999), we present our data in terms of three phases, namely *compensation*, *experimentation,* and *exploitation*.

3.3.1. Phase 1 (2004-2005): Compensation

This phase comprises of the startup of PUB-BLUE ('the venture') and thus focuses primarily on the bidding process regarding Bid 1 (Authority_1). At the beginning of this phase, PUB-BLUE did not exist as a legal entity but in the form of its subsequent founding managing director. The overall interest that drove much of the activities in this phase was to – opportunistically – 'get an initial deal'.

Knowledge: Absence of public sector knowledge. <u>Exclusive expertise in Private Sector Outsourcing</u>[18]<u>:</u> By 2003, Frederic, PUB-BLUE's founding managing director and then manager in BLUE's private sector outsourcing arm, had accumulated a considerable expertise in business process outsourcing in the private sector. When parent BLUE alerted Frederic to a public sector outsourcing tender, he convinced his superiors to dedicate some initial resources to this bidding which they did.

<u>Absence of Public Sector Outsourcing Knowledge</u> in general, and in terms of tender and bidding conventions in particular: It was only when the local authority requested further details about BLUE's outsourcing service provision that Frederic realized that his understanding of public sector in general and of public sector outsourcing in particular was fairly limited: "in the Authority_1 case, we had no context, no analysis, nothing" (P76, I5, 20101018, 54[19]). Furthermore, he realized also that public sector requirements differed distinctively from private sector requirements, in particular regarding non-commercial aspects such as apprenticeships, health and safety, etc. Thus, "suddenly we had *public* sector debates basically in a *private* sector

[18] Themes on the Abstraction Level 1 in our data structures are <u>underlined</u>.
[19] These numbers reflects the number of the entry in our Atlas.ti database.

organization" (P40, I1, 20090608, 42). In addition to these content dimensions, BLUE also was unfamiliar with tender and bidding conventions in the public sector.

Bidding practice: Compensatory. In public sector outsourcing, resources are allocated through highly formalized tender and bidding practices that determine negotiations between supply and demand. Operating from a quasi-inexistent sector specific knowledge base in this respect, the organization embraced what can at best be described as compensatory bidding practices because PUB-BLUE metaphorically and literally 'paid' for its lacking familiarity with public sector organizations *during* and *after* this bid.

Adhoc usage of corporate resource base: Frederic attempted to compensate for the lacking knowledge of public sector outsourcing by enrolling a small bidding team consisting of internal BLUE staff – neither of whom had any public sector experience. Furthermore, Frederic extended this team with external legal advice and consulting resources.

Hyperbolic responsiveness: The team struggled in particular to comprehend the local authority requirements, let alone how to adhere to them in a formal bidding document: "In Authority_1, I didn't have a real clue of what the key requirements were, apart from what was in their documents." (P76, I5, 20101018, 54). In a rather pragmatic move, Frederic suggested to make use of the highly structured specifications of the tender ('specs'), as a blueprint for their own bidding response: "What do we write?' and I said, 'Well, let's start with repeating what they said in the spec!' … So, we just basically took the whole spec and said, 'We will - we will - we will'. I didn't know better myself!" (P76, I5, 20101018, 78).

Outcomes: heterogeneous. As outlined above, we tracked outcomes in different aspects including bidding success, compliance with client needs and systematicity of bidding process. Overall, the outcomes of bid 1 were considered heterogeneous.

"Lucky strike": On the one hand, the team won their very first bid which was undoubtedly considered an enormous success. As per the 10-year contract, Authority_1 provided PUB-BLUE with monetary and human resources in terms of a fixed annual service fee as well as of a transfer of 400 local authority employees. Thus, Frederic staffed most middle and operational management from these transferred local authority employees. Subsequently, Frederic became MD of the organization now legally registered as PUB-BLUE. Yet Frederic and his team also acknowledge the surprise in this decision: "Let's be fair, the Authority_1 one, we shouldn't have qualified." (P76, I5, 20101018, 62).

Myopic Compliance: On the other hand, however, winning a first contract and thus gaining fixed income and employees despite lacking a detailed understanding of its implications incurred substantive costs: "We had signed up to a deal that we probably would never sign up to again… in terms of the leverage that the local authority had over us as an organization" (P75, I5, 20100924, 159). For instance, PUB-BLUE had agreed to a regional regeneration target of creating 400 new jobs in the region that – according to a PUB-BLUE manager - the local authority had "*slipped* into the deal" (P74, I5, 20100921, 183). Failing to comply with this requirement has since incurred substantive contractual penalties to date.

Unsystematic and Inefficient Bidding Process: Additionally, PUB-BLUE's initial compensatory bidding practice lacked cumulation and efficiency. Not only did the adhoc bid team dissolve after the contract had been won but no resources were committed to systematically capture knowledge and experience for subsequent bids: "There was no focus at that time… on writing content in order to use it again later or to… to create some sort of team, some sort of contingency for bidding" (P74, I5, 20100921, 111). Needless to say that the bidding process was also highly cost-intensive "Authority_1 was enormous, the cost of … getting the contract because we had to bring so many experts in from outside." (P72, I5, 20100920, 324).

3.3.2. Phase 2 (2006-2008): Experimentation

Now an incorporated legal entity, after the heterogeneous experience of bid 1, the organization strove to secure its viability and also to avoid the stigma of a 'one-hit-wonder'. Now, however, while the team could draw on newly transferred employees from Authority_1, they were not allowed to draw on the corporate resource base any longer. This phase mostly covers the three subsequent bids 2, 3 and 4 and thus, our findings are presented as cross-bid findings.

Knowledge: Attending to public sector requirements. In phase 2, the organization noticed that several aspects of the tender and bidding protocol were considered critical by the public sector organizations. This was mainly due to direct and explicit feedback from the local authorities: "we learned from the feedback from Authority_2, where we didn't qualify, and we learned from the feedback from Authority_3." (P76, I5, 20101018, 62).

Authority Regeneration Issue: As outlined above, Bid 1 involved a commitment to economically regenerate Authority_1. In particular, Bid 1 thus involved an agreement to job creation that economically did not work out for the organization. "You can ask for 600 jobs, 1000 jobs, but this is not a machine, it's not happening automatically." (P40, 59) Yet, the organization needed to find out how to best adhere to these consistently voiced requirements.

Scoring Issue: Based on the feedback of Authority_2 after the failed Bid 2, the organization learned about the nuanced mechanism of bidding specifications in terms of "scoring points" – basically an algorithm to weigh (a bidder's compliance with) specification items of the tender: "In the public sector, certain elements of the bid will be just split apart, sent off to an administration pool and they're just purely marking it on the basis of the information they see, not as a full picture." (P77, I5, 20101022, 93). Thus, the organization explained its early failure in Bid 2 as its inability to comply with this logic. Furthermore, the organization only realized in retrospect how some aspects turned out to be hygiene factors for an authority: “Some stuff we didn't take very seriously in [Authority_1], authorities take quite seriously. So, things like health and safety, we probably just dismissed it all as... pfff... not really very important. But for the public sector, it's *incredibly* important!” (P72, I5, 20100920, 128)

Referencability Issue: Public sector authorities being risk-averse, they rely strongly on evidenced proof of concept, called "referencability", thus instilling confidence in the local authority that "you demonstrate that you've done it before ... They would probably rather give the business to someone ... who has done it in the past ten times even it is ten times a bad story than to someone new, because if it all goes wrong they will say: Well, we followed the procedure." (P40, I1, 20090608, 63). PUB-BLUE learned about this unwritten rule of ‘referencability’ only after a rather sobering feedback of Authority_2 after Bid 2.

Offer a ‘PUB-BLUE model’ to outscourcing: When learning in Bid 3 that tender and bidding processes can also take other forms than a so-called “restricted procedure” for instance a “competitive dialogue”, PUB-BLUE realized that it wasn’t prepared for direct, proactive interaction with local authorities in terms of presenting ‘its’ approach to outsourcing: “they are looking at us and say 'You are the expert! Now show us, how you do this.' But we couldn’t.” (P76, I5, 20101018, 66).

Bidding practice: experimental. Having noticed critical public sector requirements, the organization engaged in an experimental bidding practice in order to test-drive the how to deal with the noticed public sector demands in ways aimed at efficiently and protectively using their scarcely existing financial and human resources. Evidence of such deliberate, albeit incremental, experimentation was the team’s attitude to consider each bid an opportunity to test and learn from local authority feedback: “Around the time of Authority_3, we went through a conscious learning curve. Through bidding Authority_3 - and failing - ... we were consciously learning. We approached it with a view of: we don't expect to win, but we will learn something out of this. We did sit down at the end of that process and talked about it. We went through a conscious evolution stage around that time." (72: 264).

Overall, through experimental bidding, the team thus gradually attempted to use its increased knowledge about public sector organizations in a way that would advance their interest of winning a second deal while protecting them from signing a non-sustainable deal again. Experimentation led to a gradual focus on and refinement of those experimental bidding practices that created positive experiences and/or led to positive explicit feedback of local authorities and abandoned those experiments that led to negative experiences and or negative explicit feedback: Altough the team failed, "authority_2, for the company, it was a success because we learned lessons. Same with Authority_3. It wasn't a success, because we didn't win, but it was a success, because we learned a lot of lessons." (P77, I5, 20101024, 194). We illustrate such experimentation briefly below by drawing on PUB-BLUE's dealing with 'regeneration requirements'.

After the rather painful experience of job creation/regeneration in Bid 1, Fredrick "had realized, that we could not have signed our first deal without that job commitment. But we don't do this anymore. We simply cannot afford it!" (P57, 46) The team was alert when in Bid 2 service providers were asked to create 600 new jobs in the region. In an experimental attempt to deal with this requirement, the organization decided to decline this regeneration requirement in its submitted document: "We just said 'We don't do this!' And Authority_2 disqualified us for that reason" (P76, 62). At a later stage and despite this 'expected failure' in Bid 2, the organization realized that established players in the market equally decline major regeneration requirements and are still able to sign deals. At a later bid, experimenting thus brought up a more successful way to cope with authorities' demand for regeneration: "[The authority] felt it was important that we look at the redevelopment of … [the authority], creating jobs, that sort of thing. Whereas, in all honesty, we are not really that interested in that. So we have given a commitment that '*we will look at it within time*'… We needed to say that to get through" (P75, 83).

Outcomes: accretive. At different levels, this experimental bidding practice of Phase 2 induced accretive outcomes.

'Controlled strike: First, experimental bidding – or 'test-bidding' – led the organization to winning a second large and long-term deal with Authority_4 local authority. Winning the Authority_4 contract was considered a "huge success" for PUB-BLUE by Frederic and the bid team: "Getting Authority_4, … is absolutely massive.... because it's the second big deal. … it was important … both towards ourselves, to show ourselves that we could do it, but it also showed back to BLUE that, there is a business model here, that it's worth investing in … it also got on the radar of other competitors in the country. I think that was probably the first time that we started appearing on their radar. It was the biggest deal that year - and probably for a couple of years." (P72, 252)

Increased efficiency and systematicity: Approaching the bidding process systematically enhanced the organization's bidding efficiency and systematicity. In particular, the organization started taking stock of its bidding experience by building up a "bid library": "Every time we bid we have more collateral, and we learn from that. In every bid we write now, we tend to pull information from a previous bid, so we are getting much more of what we call a bid library." (P77, 141). This bidding material which drastically increased in quantity during Phase 2 consisted of documents such as word-files, presentation-slides, or files with calculations and models that the team developed for each bid. With every new bid, the team then attempted to draw on this bidding material in devising new bidding solutions. At the same time, the team also strove for accumulating and deploying bidding materials systematically. While functional specialization within the bidding team gradually emerged as such functions as "bid coordinator" or "business developer" were created on a permanent or contractual basis, repeated bidding led the team to access and recombine bid materials with an increased precision and a decreased failure-rate. Both these developments were considered an important outcome of Phase 2.

3.3.3. Phase 3 (2009-present): Exploitation

Having won a second major contract, and through this ‘getting on the map’ as a serious player in the PSO market, the organization now strove not only to win deals but actually to grow faster and more profitably. “The experiment is over… It's proofed to be a success… it is now time to put a foot down and accelerate it” (P73, 127).

Knowledge: Advanced public sector knowledge. Anticipation of local authority requirements: Based on its accumulated bidding and delivery experience, the organization had established a detailed and nuanced understanding of the country’s public sector as well as its challenges and affordances in general and of local authority’s pressures and requirements in particular: “You get a feel generally for what's happening …, you get a feel generally for the pressures that the local authorities are under… therefore, you're going into a conversation with an expectation.” (P72, 92)

The organization became mindful of the local authorities’ requirement of referenceability and has increased its competence in creatively extracting a “referencable story”, for instance, by also highlighting the (albeit small) public sector deals of other BLUE companies: “The PUB-BLUE story is different… because we are clearly selling something that says "We have got a breadth of services, a great breadth of capacity, our capability, we are much more experienced, and we have got two references that can show how we can change performance.” (P75, 143)

Anticipation of differences in local authority requirements: The organization also understands much better the significant differences in local authority types and thus their requirements. Subject to location, size, ranking position, political orientation, rural vs. urban, local authority requirements obviously differ: “We tailor our approach depending what we think their drivers are.” (P72, 104).

Anticipation of different bidding types: Rather than assuming a single bidding convention ("restricted procedure"), PUB-BLUE had realized that other conventions were also permitted ("competitive dialogue"). In Phase 3, the organization considers itself well prepared for such differences in bidding protocol: "How we will move forward is depending on the procurement process: If it is restricted procedure or dialogue, we have to have a view on how we want to deliver." (P76, 66).

Bidding practice: Controlled. This knowledge and experience base gives the bidding team the feeling that it is already in a position to "control the client without them realizing that we are in control" (P 76, 42). Rather than improvising or experimenting, the organization thus engaged in Phase 3 in a controlled, systematic, and proactive bidding practice and aimed at signing deals more quickly and in a more profitable way.

Systematically selecting local authority and geographic area: Rather than purely being driven by bidding opportunities of any kind, Phase 3 saw the organization very deliberately and consciously selecting their targeted local authorities in line with PUB-BLUE' interest and strategy to profitably grow in its market. Then, the organization considered three major 'selection criteria' for future tenders: First, select local authorities in the South of the country to seize existing relationships and reputation with politicians in this region. Second, win a contract in the North of the country, ideally in or near its capital, in order to create larger spill-overs and a bigger "media-effect": "strategically, the South, we have covered. … But one problem we will have is: There is nothing in the capital city and there certainly is nothing in the North at all." (P74, 135). Third, seek to win a central government public sector outsourcing contract.

"Systematically tailoring pitch to target audience": Another aspect of the organization's controlled bidding practice includes the team's tailoring of its bids in general and in particular of its bidding documents, presentations, and its appearances and interactions with local authorities to the specific requirements and affordances *of* *each local authority*. Depending for instance, on whether it is a large metropolitan local authority or a small rural local authority, the team now tried to highlight either the "large, worldwide BLUE story" or the "small, local" PUB-BLUE story. Also *within* each local authority, the bid team strives in phase 3 to present BLUE, PUB-BLUE and their outsourcing solution differently to different groups – such as politicians, key decision makers, operating personnel or those local authority members that are likely to be transferred to PUB-BLUE.

Among these groups, PUB-BLUE has found it increasingly relevant to particularly spot those individuals or groups within a local authority that are likely to make the decision on which bidder to award the outsourcing contract. Thus, Frederic and the team attempt in each bid to locate and to create a "picture" of these individuals in order to speak to and include the understandings, requirements, and interests of these key individuals centrally into their bidding practice.

<u>Proactively and early on influencing the bidding process:</u> In a different, yet complementary strategic gesture, the organization strives in Phase 3 to proactively shape the bidding process, i.e. to influence the local authority requirements prior to and during the formal bidding process. For instance, the organization is now in a position to interact with and "shape" the outsourcing requirements of local authorities *before* they get published in formal tenders: "What is key is relationship building… as an organization decides that it wants to let a contract, it will serve a notice… The reality is that, before that happens, they will have been talking to lots of organizations, lots of people, that have built up those networks. And they will have a relatively good understanding as to who it is they want to deliver their services." (P43, 155)

In this regard, Frederic and the team pursue two strategies: First, those members of the bidding team who also have operational roles within PUB-BLUE are requested in Phase 3 to systematically build "relationships" with politicians and decision makers of neighboring local authorities in order to advertise "the PUB-BLUE way" and thus to create fit between PUB-BLUE and the technical and social demands of a local authority. Second, to particularly increase PUB-BLUE's "presence" in the capital city, PUB-BLUE also hired an experienced capital-based lobbyist on a contractual basis in an attempt to "seize his network of contacts" and thus to advertise PUB-BLUE with capital-based politicians and local authority leaders.

Outcomes: favorable. Beyond increasingly accretive outcomes in Phase 2, Phase 3 saw an even more consistent and favorable set of outcomes at different levels.

<u>Satisfactory level of client and industry reputation:</u> The organization's controlled bidding practice in Phase 3 led to winning a third, large-scale and long-term contract with a public sector local authority in Bid 6. Winning this contract was considered the ultimate endorsement by the industry: "we belong in this environment" (P73, 151). There is thus a general feeling within the team that a certain "hurdle" has been passed in the way towards becoming a sustainable public sector outsourcing provider: "With one deal in Authority_1, you looked a bit like a one hit wonder, now you are there. We accept, you can do this!" (P40, 67). In this regard, the team now considers PUB-BLUE to increasingly become one of those bidders that local authorities who, when tendering, "automatically" put on their short list.

<u>Operating from PUB-BLUE' distinct, "own" model of outsourcing:</u> While in Phase 1 – and to a certain extent in Phase 2 – the organization complied somewhat myopically with local authority requirements, in Phase 3 the organization calculates and controls for the consistency of local authority requirements with PUB-BLUE's economic interests: "There is a clear development from just being responsive to what the specification says or getting in dialogue and developing something with the client, to now turn this slightly around and that you have to have a model of how you do things. And you clearly then give the client the impression that you are tweaking or customizing it…" (P76, 66). Compared to phase 1, advanced PSO bidding knowledge and controlled bidding thus entails for the team to be considerably "less submissive" and to "less bend over backwards" to satisfy local authorities: In other words, they are

"a bit tougher now than we were a few years ago" (P72, 184). "The time where we bend over backwards to fulfill their requirements is over."

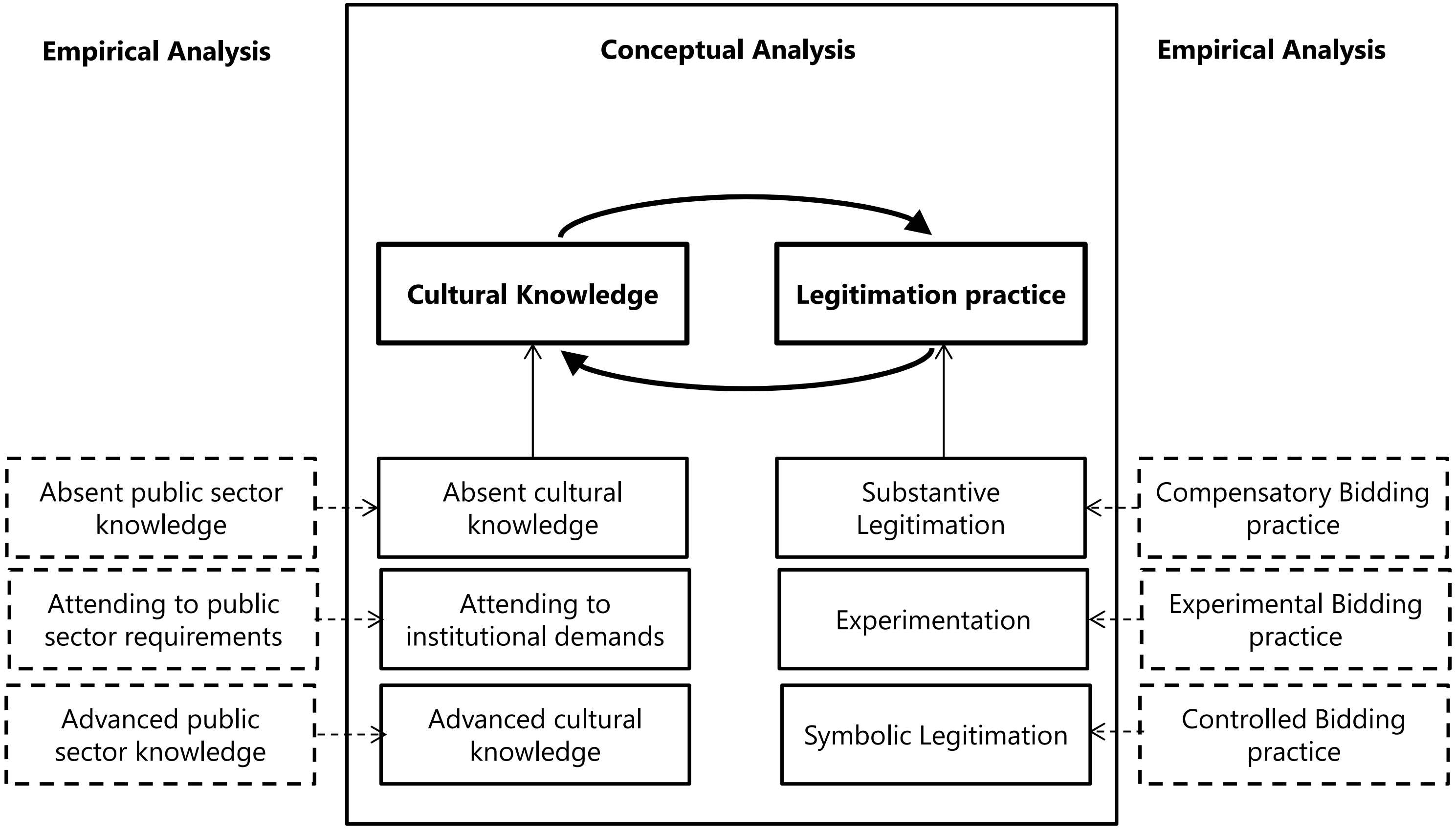
Sustainably systematic and efficient bidding process: In Phase 3, the organization had established a sustainable, cumulative and thus systematic and efficient bidding process. Besides a professionalization and formalization of roles, such as "bid leader", "bid coordinator" or "assistant to bid coordinator", "area experts" were drafted into the bid team part time but whose bidding experience also allows them to quickly derive area-specific stories and solutions. Accordingly, the bid library did not only grow in quantity but mainly also in quality. A typical bidding team also involves less manpower than in the previous phases and rarely employs external consultants. Lastly, Frederic's active role in bidding processes also declined with the increasing expertise of his bidding team members. Evidence of such routinized bidding process consists in the organization engaging in parallel bidding processes in Phase 3 – an approach to accelerate company growth: "We've been bidding on Authority_5... [and 4 other authorities]. And all of these have been running alongside Authority_5. Bids that we've been working on with generally the same people. So, whereas before we would have had our team fully engaged in one bid, we now have a similar team of people working on a number of bids." (P77, 105).

3.4. CONCEPTUAL INTERPRETATION: THE ROLE OF CULTURAL KNOWLEDGE IN THE EVOLUTION OF LEGITIMATION PRACTICES

We now interpret our empirical findings conceptually to provide an answer to how the legitimation practices of a new venture evolve across repeated resource acquisition attempts by drawing on and elaborating existing literature on new ventures, institutional theory, and cultural theory. How we move from our empirical analysis to our conceptual interpretation is in turn demonstrated in Figure 3-1.

From our empirical analysis, it becomes apparent that the new venture's contract bidding evolved during repeated bidding attempts from being compensatory and *substantive*, to being *experimental*, to finally becoming more controlled and *symbolic* in nature. While a conceptual extension of these three practices provides an answer to our research question, what we found particularly interesting in light of prior research was that the *difference over time in the new venture's knowledge about the cultural environment of the public sector* (i.e. its values, norms, and its different audiences) *drove* how it engaged in contract biddings and thus *how it sought to acquire resources and legitimacy* from the public sector. Following several cultural theorists, we chose to term the new venture's knowledge about the cultural environment of its resource-holders as *cultural knowledge* (cf. etc. Molinsky, 2007; 2013; Sackman, 1992) and subsequently reinterpret our findings conceptually to highlight the interrelationship between a new venture's cultural knowledge and its legitimation practices.

Figure 3-1: Conceptual Interpretation



3.4.1. Cultural Knowledge

Zimmerman and Zeitz (2002: 422) argue that new ventures can only mobilize legitimation practices in ways that are strategic and advance their interests when they "become *aware* of these systems of expectations" according to which resource-holders may evaluate the organization and its activities (emphasis added). While a number of institutional theorists argue that such awareness largely depends on an actor's position within or between institutional fields (cf. Fligstein, 2001; Sewell, 1992), cultural theorists have more generally referred to actors' awareness of and their skillful responses to a culture's systems of norms and expectations as depending on the actors' "cultural knowledge" (e.g. Molinsky, 2007; 2013). Actors' cultural knowledge has been studied in terms of their knowledge about national cultures (e.g. Molinsky, 2007; 2013) or about organizational cultures (e.g. Sackman, 1992). Most broadly, cultural knowledge can thus be defined as an actor's knowledge *about* any given cultural environment such as a country, an organization, or – as in our case – their knowledge about an organizational field (i.e. the field of public sector authorities).

As a kind of "domain knowledge", cultural knowledge (in the form of knowledge about an organizational field) critically impacts a new venture' strategic capacity in general (cf. Ganz, 2000) and thus – as we have shown – its capacity to mobilize symbolic legitimation practices (i.e. legitimation practices that allow both for the *acquisition* of new resources *and* for the *protection* of existing resources) during resource acquisition attempts in particular. Cultural knowledge is thus an important cultural resource that a new venture can deploy to create evocative symbols while pursuing its interests (Creed et al., 2002; Emirbayer & Mische, 1998; Swidler, 1986) and protecting its resources. Our study offers insights into both *types* of cultural knowledge and into the process of cultural knowledge *development*.

Types of cultural knowledge. Our findings highlight *content knowledge*, *audience knowledge*, and *ritual knowledge* as three distinctive yet interrelated types of cultural knowledge.

For the first, as the PUB-BLUE bidding team experienced, every cultural environment is made up and structured by a specific body of <u>cultural contents</u>. In the case of the PUB-BLUE bidders' representation of public sector authorities, such cultural contents were, for instance, the local authority's schematic requirement of bidders' "referencability" which the bidding team was largely unaware of during phase 1 and in its early bids. Content knowledge thus refers to the representation of the symbolic system of a cultural environment and thus of the symbolic structure that sources the values of a given cultural field (cf. Meyer & Rowan, 1977). This form of cultural knowledge entails the representation of basic oppositions – such as "referencable" vs "non-referencable" – that demarcate a represented cultural environment's logic of appropriateness and its tools for evaluating others (cf. Sewell, 1992).

For the second, while PUB-BLUE's <u>audiences</u> shared cultural contents (e.g. such cultural values as "referencability"), this does not necessarily imply that they all had the same opinions. Rather, they only agreed on the structures of relevance and opposition that make symbols and actions meaningful and legitimate (cf. Goldberg, 2011: 1397). Accordingly, as the bidding team had to experience during phase 2, its resource-holders' use of cultural contents differs according to their *positions* within the cultural field. These positions in turn determined their localized world-views and their specific interests and requirements (Meyer & Hoellerer, 2010; Weber, 2005; 2011). For instance, while sharing the demand of a bidder's "referencability", the specific "referencability" affordances of such a "large", "metropolitan", and "right-wing local authority" as Authority_3 were markedly different from those of such a "small", "rural" and "left-wing" local authority as Authority_1. Entering the Authority_3 bid with symbolic actions for gaining "referencability" tuned towards the "referencability" requirements of Authority_1 thus substantially contributed to the failure of Bid 3.

For the third, PUB-BLUE's audiences relied on rituals to coordinate their resource-distribution and to accordingly meet their interests and values (cf. Goffman, 1967). These rituals prescribed for PUB-BLUE process-specific discursive genres (cf. Navis & Glynn, 2011; Orlikowski & Yates, 1994) and norms of action and interaction (cf. Alexander, 2004). Ritual knowledge thus refers to the representation of cultural processes in terms of their legitimate scripts of discourse and norms of interaction. In our case, depending on their own requirements, local authorities relied on two basic but fundamentally different procedures to structure bidding processes: On the one hand, in a "restricted procedure", local authorities submit tender documents with exactly defined requirements and demand specific and gradually refined bid-responses to these requirements while forbidding other modes of interaction. On the other hand, in a "dialogue procedure", local authorities do not submit a tender document with exactly defined requirements but rather give bidders much more leeway to interact and to present and convince with their solutions. Initially bidding for public sector contracts without a general understanding of these cultural processes and specifically entering the Authority_3 bid without appreciating and preparing for a "dialogue procedure" contributed to bid failure.

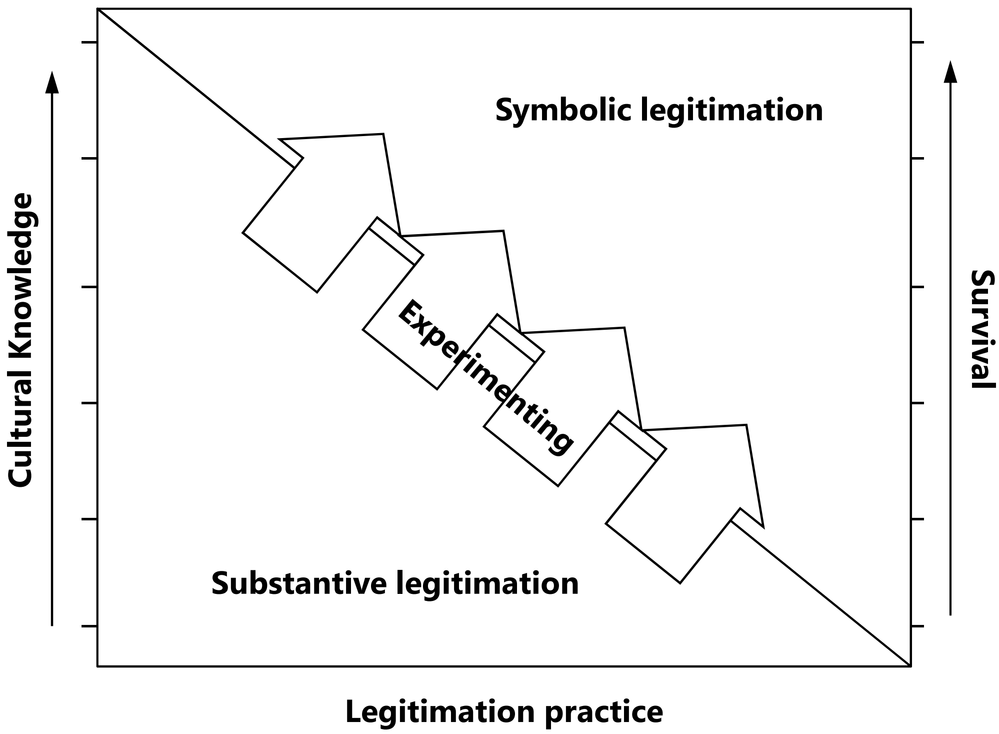
Evolution of cultural knowledge. Accumulating cultural knowledge involved for the PUB-BLUE bidding team the introduction of distinctions that refined their content knowledge, audience knowledge, and ritual knowledge. This finding is in line with Tsoukas' (2009) argument that the development of new knowledge rests upon the creation of *distinctions* to disentangle previously holistic understandings of processes or phenomena. Across the 3 phases, the accumulation of distinctions among represented contents, audiences, and rituals led the PUB-BLUE bidding team from having severely limited knowledge about the cultural environment of public sector local authorities (before and during phase 1) to *generalizing* a more differentiated set of distinctions within represented cultural contents, audiences, and rituals (cf. Johnson et al., 2009). Such generalization was largely based on the new venture's experience of a limited sample of bidding processes with public sector local authorities during phase 2 (cf. Levitt & March, 1988).

The new venture's cultural knowledge may then have evolved differently across the three major phases it went through: According to our analysis, PUB-BLUE did not accumulate much cultural knowledge in phase 1 (bid 1). In the second phase (comprising 3 bids and thus 3 instances of iteration), PUB-BLUE' "understanding [of public sector local authorities] changed beyond recognition" signaling a fundamental increase in the new venture's cultural knowledge. The new venture ended its radical injection of cultural knowledge when it saw its effectiveness confirmed by applying it in and winning bid 4. In the subsequent phase 3 (again comprising 3 iterations within the scope of the present study), the new venture undertook only minor changes to its cultural knowledge due to perceiving its increased appropriateness. Launching from a "change in type" to a "change in degree", the new venture thus appears to gradually increase its commitment by organizationally embedding its cultural knowledge. Increasing commitment to and settlement of the new venture's cultural knowledge base may thus inhibit its further expansion and adaptation (cf. Drori et al., 2009; Zucker, 1977) and may thus act as increasing constraint onto its cultural repertoire (Weber & Dacin, 2011) by potentially "blinding" the organization for the demands of other resource-holders in their cultural environment (Leonardi, 2011) or for changes of the cultural environment per se.

3.4.2. Legitimation Practices

As summarized by our conceptual model (Figure 3-2), we thus found that the new venture's legitimation practices were contingent on and thus enabled and constrained by the cultural knowledge it could deploy. Relying on PUB-BLUE' bids as analytic lenses for the study of a new venture's legitimation practices, our findings accordingly show that PUB-BLUE was primarily able to engage in *symbolic* *legitimation* in phase 3 – once it had accumulated an advanced stock of knowledge about the cultural environment of public sector local authorities that it could deploy to legitimation practices that both allowed for the acquisition of new resources but also for the *protection* of scarcely existing resources. The development of these symbolic legitimation practices thus contributed to the survival of the new venture thus enabling the new venture to overcome its so-called "liability of adolescence" since these legitimation practices both enabled resource acquisition and prevented "resource dissipation" (Bruederl & Schuessler, 1990). Conversely, during phase 1, absence of cultural knowledge forced the new venture to engage in what we conceptualized as substantive legitimation (cf. Ashforth & Gibbs, 1990) as lacking cultural knowledge forced the new venture to fully, materially comply to its resource-holder's legitimacy criteria which one the one hand enabled the venture overcome its "liability of newness" (cf. Stinchcombe, 1965) by enabling the acquisition of initial resources but also "dissipated" the new venture's resources thus threatening its survival (cf. Bruederl & Schuessler, 1990). As our empirical data highlight, the evolution from substantive legitimation to symbolic legitimation was enabled by repeated practices of *experimentation*.

Figure 3-2: Conceptual Model



Symbolic legitimation. Symbolic legitimation enabled the new venture under study to acquire legitimacy by appearing consistent with values and expectation in the cultural environment of its resource-holders while pursuing its own, divergent interests (Ashforth & Gibbs, 1990; cf. Suchman, 1995). Symbolic legitimation thus involved for the new venture the mobilization of practices to gain legitimacy in resource-holders during resource acquisition attempts that allow both for the *acquisition* of new resources *and* for the *protection* of existing resources. Such symbolic legitimation practices are central for a new venture to overcome both its "liability of newness" *and* their "liability of adolescence" (cf. Bruederl & Schuessler, 1990; Stinchcombe, 1965) and thus to reach its threshold for survival. Our findings highlight that the new venture PUB-BLUE predominantly engaged in symbolic legitimation during phase 3, that is, almost 4 years after creation and entry into the public sector outsourcing market. Its practices of symbolic legitimation were enabled by the organization's advanced cultural knowledge (content knowledge, audience knowledge, ritual knowledge) which the organization could draw on in its attempts to acquire legitimacy in resource-holders while adhering to its own interests and protecting its scarcely existing resource endowments.

Specifically, the organization's *audience knowledge* enabled *selecting* those stakeholder that it perceived to be most advantageous to its interests (Zimmerman & Zeitz, 2002; cf. Oliver, 1991; Suchman, 1995) or where it felt that the social and cultural similarity between the organization and stakeholders would make legitimation and resource acquisition comparatively 'easier' and less resource-intensive (cf. Zott & Huy, 2007, for the impact of social similarity on the legitimation process). *Audience knowledge* also enabled the organization to *tailor* its appearance in the legitimation process to what it perceived to be the requirements of the targeted resource-holder. Such tailoring has been repeatedly noticed by institutional theorists who argue that strategic actors can highlight selected, legitimate aspects of their organizations while trying to hide other, non-appropriate aspects from their audiences' view (e.g. Elsbach & Kramer, 1996; Lamertz et al., 2005).

In turn, *content knowledge* generally enabled the organization to *efficiently comply* with stakeholders' perceived cultural requirements (Zimmerman & Zeitz, 2002; Oliver, 1991). Specifically, content knowledge enabled efficient compliance as it allowed the organization to save resources in the legitimation process by (a) attempting to fulfill the stakeholder's minimal standards of cultural conformance and by (b) attempting to seize gaps or "grey areas" in stakeholders' cultural requirements that remained largely unnoticed by its stakeholders. Cultural theorists, such as Emirbayer and Mische (1998) or Sewell (1992) have similarly argued that the capacity to exploit gaps in cultural landscapes is a central component for strategic agency.

Finally, *ritual knowledge* clearly enabled the organization to *manipulate* its stakeholders' cultural requirements (cf. Zimmerman & Zeitz, 2002; Oliver, 1991; Suchman, 1995). While the organization generally focused on *disseminating stories* as a means of gaining influence and legitimacy (Aldrich & Fiol, 1994; Santos & Eisenhardt, 2009), its knowledge of the rituals through which resource-holders structured the allocation of their resources in turn determined *the timing* of these influence attempts. In our case, PUB-BLUE was confronted with two fundamentally different rituals which enabled and constrained its legitimation practices: First, "restricted bidding procedures" which granted PUB-BLUE limited potential to directly interact with local authorities and shape their requirements during the bidding process. Second, a "dialogue procedure" where, contrary to a "restricted procedure", bidders are requested to interact with local authorities and to advertise their solutions. In turn, the new venture's knowledge about these two cultural processes enabled it to manipulate resource-holders in process-specific ways. For the former, as interactions were not allowed *during* the "restricted procedures", the organization focused on engaging with those stakeholders that were likely to publish tenders *before* the formal commencement of their tender by disseminating stories about the appropriateness and superiority of its solutions. For the latter, once the new venture had realized that skillful interactions were central for creating favorable "dialogue procedures", PUB-BLUE particularly focused on developing "models" that were tuned on presenting the appropriateness and superiority of the organization's outsourcing solutions *during* "dialogue procedures". Overall, the new venture's advanced cultural knowledge enabled the organization to gain more control over the legitimation process (cf. Suchman, 1995) and to attempt at acquiring new resources while considerably reducing its input of existing resources.

Experimentation. Engaging in what we – following our informants - termed 'experimentation' during repeated iterations also enabled the new venture to gradually move from substantive legitimation to symbolic legitimation during phase 2. Cultural theorists frequently refer to the central role of experimentation for cultural learning and enculturation (e.g. Lave & Wenger, 1991). Accordingly, it was through repeated experimentation that the new venture PUB-BLUE actively sought to gain "symbolic influence" from the resource-holding public sector authorities (cf. Barley et al., 1988: 26). The symbolic influence gained through these experimental interactions gradually enabled the new venture to use accumulated cultural knowledge "as means to their own ends" (ibid.) by engaging in symbolic legitimation. Bingham and Davis (2012) refer to experimentation as a controlled situation that organizations use to test causal propositions and to create new knowledge about the consequences of their actions. Accordingly, post hoc reflection on experimental outcomes is high. While several authors have argued that experimentation can occur in *parallel* fashion where organizations "vary inputs 'off-line' in comparative contexts … to correctly attribute outcomes to inputs" (Bingham & Davis, 2012: 4), other authors have equally suggested that organizations engage in experimentation in a *sequential* fashion. Such serial experimentation which we also observed in our study has been referred to as "trial-and-error experimentation" (e.g. Levitt & March, 1988; Orlikowski & Yates, 1994). Trial and error experimentation is a means for actors to gradually but deliberately adapt their action repertoires to reach more beneficial outcomes (Orlikowski & Yates, 1994: 548).

It is in this latter regard that we refer to experimentation as interaction with resource-holders that new ventures use to test causal propositions and reflect on outcomes in order to gradually adapt their repertoire of legitimation practices to becoming more beneficial in nature. As we observed, PUB-BLUE engaged in experimental interactions with resource-holders predominantly during phase 2. The consequence of such experimentation was that, on the basis of central cultural demands that the organization came to notice during these repeated interactions with resource-holders, PUB-BLUE could gradually benefit from their resource-holders' "symbolic influence" (cf. Barley et al., 1988). The symbolic influence from resource-holders which predominantly took the form of their feedback in turn enabled the new venture to develop a repertoire of symbolic legitimation practices. Through experimenting, the new venture could thus create an understanding of how to acquire further resources while its interests and existing resources.

Substantive legitimation. Our informants referred to their first resource acquisition attempt in this cultural environment (i.e. bid 1) as having had to 'compensate' for their lacking knowledge about the norms and values of the public sector environment. On the basis of this insight, we conceptualized this bid as based on *substantive legitimation* rather than symbolic legitimation (Ashforth & Gibbs, 1990; cf. Westphal & Zajac, 1994). Substantive legitimation involves the *actual*, *material* conformance to resource-holders' legitimacy criteria (ibid.). In this specific case, substantive legitimation thus consisted of the improvised acquisition of legitimacy and resources by thoroughly complying with legitimacy criteria of resource-holders. As institutionalists have argued, improvisational processes occur when actors respond to experiencing the demands of unfamiliar contexts and resulting problems and situations (Smets, Morris & Greenwood, 2012). During phase 1, substantive legitimation was the new venture's response to the unfamiliar cultural context of public sector organizations. Substantive legitimation was thus the consequence of the new venture's lacking cultural knowledge which resulted in its inability to engage in symbolic legitimation.

Contrary to the *proactive* process of symbolic legitimation, substantive legitimation was a *reactive* process where – as also hinted at by Baker et al. (2003: 263) – the new venture had to mobilize resources "*on the fly* to make their fledging firms seem comfortable and normal" (emphasis added). As our study highlights, conversely to symbolic legitimation which enabled the organization to stay in control over legitimation processes (Suchman, 1995), substantive legitimation required the new venture to *give up* a considerable degree of control over the legitimation and resource acquisition process. Accordingly, while lacking audience knowledge and ritual knowledge did not allow the organization to engage in selecting and influencing strategies, lacking general content knowledge proofed to be particularly consequential for the new venture as the organization hyperbolically complied with its resource-holders demands without being fully aware of the consequences of this compliance. Overall, absent of cultural knowledge that the new venture could have used to "defend" its existing resources (Katila et al., 2008), substantive legitimation thus meant for the organization that the acquisition of new resources simultaneously lead to the "dissipation" of existing resources in a way that threatened the venture's viability (Bruederl & Schuessler, 1990).

Such substantive legitimation in the new venture's first resource acquisition process (i.e. bid 1) lead Frederic – the founder and manager of the new venture – to argue that "we cannot do this anymore. We simply cannot afford it!" (P57, 46) Substantive legitimation thus created a *pyrrhic victory* for the new venture: Following the historical example, after the small and resource-poor army of ancient King Pyrrhus of Epirus had fought an unlikely victory against the far superior Roman troops (280-279 BC) which had caused enormous casualties to the Pyrrhus' army, Pyrrhus became famous for his outcry: "*One more such victory will utterly undo us*". By way of analogy, substantive legitimation may then yield a pyrrhic victory for an organization when the victory of acquiring legitimacy and resources may have such devastating resource-dissipation consequences, that one more such substantive legitimation attempt may lead to the new venture's failure and disbanding. As follows, the new venture under study aimed to resolve the heterogeneous and endangering outcomes of substantive legitimation through repeated experimentation which eventually created the more beneficial repertoire of symbolic legitimation practices that contributed to its survival.

3.5. DISCUSSION

In our in-depth exploration of how the legitimation practices of a new venture evolve across repeated resource acquisition attempts, we integrated institutional and cultural perspectives to tackle ambiguity created in previous studies about the potential of a new venture for engaging in "skillful symbolic action" (e.g. Lounsbury & Glynn, 2001; Zott & Huy, 2007). In this regard, our study makes two important contributions to the study of new venture legitimation and new venture survival.

First, we highlight the importance of distinguishing between *symbolic* and *substantive* legitimation processes (cf. Ashforth & Gibbs, 1990) for studying new ventures' resource acquisition and survival: It has been a dominant theme in the literature that perceptions of a new venture's (normative) legitimacy among its key resource-holders are beneficial for new ventures in that legitimacy facilitates resource acquisition (e.g.

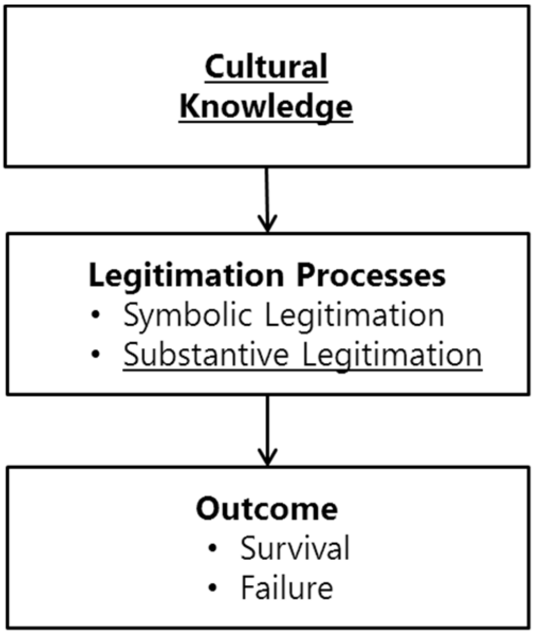
Lounsbury & Glynn, 2001; Navis & Glynn, 2011; Zott & Huy, 2007) and thus new venture survival by overcoming the new venture's "liability of newness" (Stinchcombe, 1965; cf. Aldrich & Fiol, 1994; Singh et al., 1986; Zimmerman & Zeitz, 2002).

What we add to these studies, however, is that it may not only be important to observe *whether and how* new ventures acquire normative legitimacy. Rather, it may be even more important to explore *the consequences of these legitimation processes* for the new ventures themselves. Based on our study, we drew on the distinction between *symbolic legitimation* and *substantive legitimation processes* (cf. Ashforth & Gibbs, 1990; Suchman, 1995) and thus complement the predominant focus of prior research on new ventures' *symbolic* actions (e.g. Lounsbury & Glynn, 2001; Navis & Glynn, 2011; Zott & Huy, 2007). On this basis, we could argue that only *symbolic legitimation processes* – when employed repeatedly and across resource acquisition processes – may promote new venture survival due to their effect in enabling the *acquisition* of resources while simultaneously preventing the *dissipation* of resources as consequence of the legitimation process. On the other hand, the continued use of *substantive legitimation* processes may even promote new venture failure in that they lead to the *acquisition* but also to the *dissipation* of a new venture's scarce resources. Following a famous historical example, we referred to such substantive legitimation processes as *pyrrhic victories* for new ventures when the victory of acquiring legitimacy and resources leads to such devastating resource outflows that – in the words of Pyrrhus – "one more such victory will utterly undo us".

The distinction between symbolic and substantive legitimation may then refine a central theme in the literature on new venture survival: On the one hand, substantive legitimation practices may enable a new venture to overcome its "liability of newness" (Stinchcombe, 1965) due to the *acquisition* of resources that substantive legitimation enables. On the other hand however, substantive legitimation practices may also lead to new venture's "liability of adolescence" due to the "*dissipation*" of resources that inevitably follows from these legitimation practices (Bruederl & Schuessler, 1990). As a consequence, only the sustained use of symbolic legitimation practices may enable a new venture to overcome *both* liabilities which will be necessary to secure its survival. The differentiation between symbolic and substantive new venture legitimation and the counter-intuitive insight that certain legitimation practices may promote *failure* rather than survival for new ventures will thus offer an important contribution to a dominant theme in the literature.

Second, through our study, we uncovered the concept of *cultural knowledge* (cf. Howard-Grenville, 2007; Molinsky, 2007; 2013) as antecedent condition for *symbolic legitimation* and its opposite – lack of cultural knowledge – as antecedent condition for *substantive legitimation* (Ashforth & Gibbs, 1990; Suchman, 1995): We have thus shown that without cultural knowledge, organizations may be unable to respond strategically to the legitimacy criteria of their resource-holders (cf. Oliver, 1991) and that they may thus have to resort to substantive legitimation practices (cf. Ashforth & Gibbs, 1990) in order to acquire desperately needed resources. Cultural knowledge will then be necessary for the generation of symbolic legitimation practices (Oliver 1991; Suchman, 1995) and the generation of symbolic legitimation practices – through yielding new resources while preventing the dissipation of existing resources – will be critical for organizational survival (cf. Bruederl & Schuessler, 1990; Meyer & Rowan, 1977) (See Figure 3-3).

Figure 3-3: The Relevance of Cultural Knowledge for New Ventures



Previously underexplored concepts are underlined

Cultural knowledge has been a largely understudied cultural resource, but one that may be critical to develop symbolic actions that yield favorable outcomes for organizations in general (Elsbach, 1994; Fiss & Zajac, 2006; Zajac & Westphal, 1995) and for new ventures in particular (Lounsbury & Glynn, 2001; Hallen & Eisenhardt, 2012; Navis & Glynn, 2011; Zott & Huy, 2007). In this regard, we have empirically derived a typology of 3 different *types* of cultural knowledge that contributes to a more fine-grained understanding of a critical cultural resource's components: First, *content knowledge*, as an organization's knowledge about the ideational contents that structure the collective rationality of a cultural field. Second, *audience knowledge*, as an organization's knowledge about how different groups of audiences, depending on their position within the cultural field, draw differently on these cultural contents. Finally, *ritual knowledge*, as organization's knowledge about the processes that actors within a cultural field employ to coordinate their actions and achieve their ends.

When employing this typology, it becomes apparent that prior research has devoted the most attention to how organizations seize their understanding of *cultural* *contents* and *audiences* to acquire legitimacy and resources. For the former, a number of studies have reported that organizations enlist such cultural *contents* as frames or meta-narratives in their attempts to appear legitimate (e.g. Aldrich & Fiol, 1994; Cornelissen & Clarke, 2010; Fiss & Zajac, 2006; Lounsbury & Glynn, 2001; Navis & Glynn, 2010; Martens et al., 2007). Scholars have also hinted at how organizations draw on their understanding of audiences to create symbols of cultural similarity and to engage in skillful mimicking behaviors (e.g. Zott & Huy, 2007). Yet, despite its potential importance, prior research has been less interested in the impact of *ritual knowledge* on legitimation and resource acquisition processes and outcomes. Following Navis and Glynn's (2011: 494) recent call and studying a new venture's legitimation attempts in an extremely "scripted" setting, our case of a new venture's public sector bidding processes highlights that legitimation and resource acquisition may be acutely contingent on the organization's intimate understanding of the rituals through which resource holders structure the types and sequences of interaction with resource-dependent organizations.

We have also highlighted that these 3 different types of cultural knowledge may be of differential importance for engaging in the different *modes* of symbolic legitimation that have been highlighted in prior institutional research: In this regard, we could tentatively show that organizations may be particularly dependent on content knowledge for "ceremonial compliance" strategies (e.g. Ashforth & Gibbs, 1990; Meyer & Rowan, 1977), on audience knowledge for "selection" and for "tailoring" strategies, and on ritual knowledge for "manipulation" strategies (cf. Zimmerman & Zeitz, 2002). This is an interesting advancement for the study of symbolic legitimation, because the analysis of *sub-types* of an important cultural resource enables providing a more nuanced picture of symbolic legitimation practices (Oliver, 1991; Suchman, 1995; Zimmerman & Zeitz, 2002).

Highlighting the central role cultural knowledge for symbolic legitimation, our study uncovers that the studies that have depicted new ventures as skillful symbolic actors (e.g. Lounsbury & Glynn, 2001; Zott & Huy, 2007) may have envisioned or studied contexts with demands of low cultural complexity and/or low cultural distance to the focal organizations' experiences (cf. Molinsky, 2007; Shenkar et al., 2008). In a study on cross-cultural interactions, Molinsky (2007) highlights *cultural complexity* and *cultural distance*[20] as two parameters for characterizing the reactions of new entrants to an initially foreign cultural context. As he argues, the higher the experienced complexity of the cultural context and the higher its discrepancy to the cultural contexts experienced beforehand, the greater an actor's experienced difficulty for skillful interaction with members of the cultural environment. From this perspective, one could argue that prior research which highlighted new ventures' potential for skillful symbolic operation (i.e. Lounsbury & Glynn, 2001; Martens et al., 2007; Navis & Glynn, 2011; Zott & Huy, 2007) may have envisioned cultural contexts that rank low in terms of how new ventures would experience their complexity and distance. Only in such cases would it then be comprehensible to ascribe to new ventures a potential to skillfully mobilize evocative symbols and to engage in symbolic legitimation in general and at the time of foundation and market entry in particular. But if cultural complexity and cultural discrepancy act as acute initial constraints – as in our case – organizations may rather have to first mobilize substance and repeatedly engage in experimentation until they generate a repertoire of symbolic legitimation practices that may eventually lead to their survival and persistence.

[20] Molinsky (2007) refers to "cultural distance" and "cultural discrepancy". Here, we opted for the concept of "cultural distance" due to its more general connotation (cf. Shenkar et al., 2008) and due to its higher commensurability with the vocabulary of institutional theory (cf. Phillips, Tracey & Karra, 2009)

4. HOW NORMATIVE NEW VENTURE LEGITIMATION STRATEGIES ARE FORMED: THE ROLE OF ANALOGIES IN THE CREATION PROCESS OF A LEGITIMATING NARRATIVE[21]

Abstract. Having addressed the first theoretical gap and the first research question in the previous chapter 3, in this chapter, THEORETICAL GAP 2 will now be addressed. Hence, we turn to exploring the "back-stage" of a new venture's impression management. Specifically, we address RESEARCH QUESTION 2, that is, how managers create a legitimating narrative at the back-stage of their new venture. Managers of new ventures have been shown to deploy impression management 'performances' to acquire legitimacy and resources for their new venture. A number of studies have characterized some managers as particularly skillful in deploying legitimating narratives as impression management performances on the "front-stage" – that is, when facing their target audience. However, these studies were not intended to provide insights into how managers *create* these legitimating narratives that are so consequential for their ventures "back-stage" – that is, remote from the view of their target audience. To fill this void within impression management theory, we draw on the literature on analogies from cognitive linguistics and deduce theory on the creation process of a legitimating narrative on the backstage of a new venture. Contributions of our process theory to research on impression management; on the role of analogies in new venture legitimation; and on the processing of analogies are discussed.

[21] Earlier versions of this argument have been accepted and/or presented at several international, peer-reviewed conferences including the AOM conference 2010 and the EGOS conference 2010.

4.1. INTRODUCTION

New ventures comprise independent as well as corporate ventures in their first years after market entry (Zimmerman & Zeitz, 2002). Managers of new ventures are critically dependent on their audiences' perceptions of the ventures' legitimacy in order to acquire their resources and to overcome the new venture's 'liability of newness' (Singh, Tucker & House, 1986; Stinchcombe, 1965). Legitimacy may follow when managers construct an identity for their new venture – a constellation of claims of "who we are" and "what we do" as a new venture – around identity claims that their targeted audiences comprehend and value (Navis & Glynn, 2011; Glynn, 2008). Some managers have been reported as particularly skilled in creating a legitimate identity for their new venture (e.g. Lounsbury & Glynn, 2001; Martens, Jennings & Jennings, 2007; Navis & Glynn, 2011). These managers may thus proactively engage in *impression management* (Elsbach & Kramer & 1996; Elsbach, Sutton & Principe, 1998).

Impression management involves managers' purposeful attempts to construct an identity for their new venture that will be regarded positively by a targeted audience (cf. Elsbach & Kramer, 1996). Impression management takes the primary form of deploying *legitimating narratives* (e.g. Elsbach, 2006) – written documents or verbal accounts deployed by actors to explain and the nature and potential of a new venture in a coherent and socially desirable manner (cf. Martens et al., 2007; Navis & Glynn, 2011). Several studies have portrayed some managers as truly skillful in managing the impressions of their target audience in general (e.g. Aldrich & Fiol, 1994; Clarke, 2011; Zott & Huy, 2007) and in particular of deploying internally coherent and externally resonant legitimating narratives in order to shape their resource-holders' impression of the identity of their new venture (Lounsbury & Glynn, 2001; Martens et al., 2007; Navis & Glynn, 2010; 2011).

However, while these studies on new ventures – and prior work on organizational impression management more generally – have been truly helpful in laying out which legitimating narratives may work for managers in creating a legitimate identity for their organization when facing a targeted audience on the "*front-stage*" of impression management, they provide limited evidence on how these legitimating narratives that are so consequential for organizations and for new ventures in particular get made remote from the view of the target audience on the "*back-stage*" of impression management (cf. Goffman, 1959). This is both a surprising but also a critical theoretical gap because prior research has already provided initial evidence that the most successful managers devote considerable time and effort when preparing and creating legitimating narratives about their new venture on the "back-stage" of impression management remote from the views of their targeted customers and other resource-holders (e.g. Santos & Eisenhardt, 2009).

The purpose of this paper is thus to create theory on <u>how managers create a legitimating narrative at the back-stage of their new venture</u>. Impression management perspectives per se do not enable a comprehensive theorization of *how* legitimating narratives are created back-stage. We thus build process-theory *deductively* by drawing on perspectives on the construction of *analogies* in cognitive linguistics (Holyoak, 1985; Holyoak & Thagard, 1989) to fill this void within impression management theory. Analogies are critical for new ventures in that they have the potential to associate a venture with categories familiar to a targeted audience thus promoting the venture's legitimacy and facilitating its access to resources (e.g. Cornelissen & Clarke, 2010; Etzion & Ferraro, 2009). Drawing on these perspectives enables us to theorize that (1) a legitimating narrative may be based on a set of analogies and (2) that the creation process of a legitimating narrative may involve for managers the (a) incremental, (b) systematic and (c) pragmatic process of creating, extending, and integrating analogies.

Our process framework offers contributions to research on impression management; on the role of analogies in new venture legitimation; and also to perspectives on the processing of analogies: For the first, we investigate and highlight the important role of "back-stage" processes in order to create a more nuanced picture on processes of organizational impression management (Elsbach, 2006; Elsbach & Kramer, 1996) and specifically on the creation and deployment of legitimating narratives (c.f. Lounsbury & Glynn, 2001; Martens et al., 2007; Navis & Glynn, 2011). Additionally, we offer impression management scholars analogies as important theoretical concept and unit of analysis. For the second, blending impression management theory and research on the processing of analogies enables creating a more detailed picture on how analogies get 'stuck' and yield impressions of both cognitive *and* normative legitimacy in resource-holders (cf. Aldrich & Fiol, 1994; Suchman, 1995) by complementing the focus of prior research on analogies' comprehensibility (i.e. their cognitive legitimacy) (e.g. Cornelissen & Clarke, 2010; Etzion & Ferraro, 2009; Hargadon & Douglas, 2001; Santos & Eisenhardt, 2009) with an additional, pragmatic focus on their normative appropriateness. Finally, our study offers a perspective on the processing of analogies that is both temporally and socially situated (cf. Clarke & Cornelissen, 2011).

4.2. BACKGROUND: LEGITIMATING NARRATIVES – AN IMPRESSION MANAGEMENT PERSPECTIVE

4.2.1. Impression Management

Due to the newness of a new venture in its market environment, the new venture's target audiences (such as prospective consumers, employees, investors, and other relevant resource-holding constituencies) are typically unfamiliar with the venture and its qualities. Hence, to acquire resources and thus to overcome their "liability of newness" (cf. Stinchcombe, 1965), managers of new ventures will be eager to create a very positive first impression of their new venture in their target audiences. Managers of new ventures have thus been reported to engage in impression management (e.g. Aldrich & Fiol, 1994; Clarke, 2011; Zott & Huy, 2007) and to "shape interpretations of the nature and potential of their venture to those who may supply needed resources" (cf. Lounsbury & Glynn, 2001: 549).

Impression management is a "claim making activity" (Ashforth & Mael, 1989) and a form of audience-specific 'identity work' (Goffman, 1959; Leary & Kowalski, 1990). The assumption of impression management theorists is that 'social actors' (i.e. individuals, organizations etc.) develop not only a *single* identity that may be "central, distinctive, and enduring" (Albert & Whetten, 1985) but rather that they – at all stages of development – may have access to a repertoire of *multiple* and potentially contradicting identities (building e.g. on such identity-categories as 'being globally oriented', 'being locally oriented', 'being shareholder oriented', 'being stakeholder oriented' etc.) that they can activate and "perform" according to their definition of the situation and of the demands of the specific audience they may face or target (Goffman, 1959; Gergen, 1968). On these theoretical grounds, we refer to impression management as involving managers' purposeful attempts to construct an identity for their new venture that will be regarded positively by a targeted audience (cf. Elsbach & Kramer, 1996). A new venture's *audience-specific identity* is in turn defined as a constellation of claims around "who we are" and "what we do" as a new venture (cf. Navis & Glynn, 2011).

Scholars of impression management frequently draw on strategic legitimation perspectives (e.g. Suchman, 1995) relying on the concept of legitimacy to supply the *type* of positive identity that organizations aspire to create (Bolino et al., 2008; e.g. Arndt & Biggelow, 1990; Elsbach 1994; Elsbach & Sutton, 1992; Zott & Huy, 2007). *Legitimacy* refers to a target audience's perception and evaluation of a new venture's identity as desirable, proper, and appropriate (Suchman, 1995: 574) which follows when the venture's audience-specific identity is constructed from identity categories that a target audience understands and values (e.g. Creed et al., 2002; Glynn, 2008).

4.2.2. The Front-Stage of Impression Management: The Deployment of a Legitimating Narrative

Actors rely on "performances" in order to create a legitimate audience-specific identity of their organization for a targeted audience on the "front-stage" of impression management (cf. Goffman, 1959). These performances take the primary form of deploying legitimating narratives (Elsbach, 2006). We define legitimating narratives as written documents or oral accounts deployed by actors to explain nature and potential of their organization in a coherent and ordered manner (cf. Martens et al., 2007). A legitimating narrative is important for symbolically constructing an audience-specific identity for a new venture since it can assemble a set of identity claims about a new venture into a unified and coherent account (cf. Ibarra & Barbulescu, 2010).

Legitimating narratives are critical for the fates of new ventures as they underlie their verbal business plan presentations and their written IPO brochures or bidding documents (cf. Kirsch et al., 2009; Martens et al., 2007; Navis & Glynn, 2011). Since information asymmetry often renders a target audience's evaluation of a venture difficult, the impression regarding the legitimacy of a new venture's identity may be contingent on the legitimating narrative's perceived external resonance and internal coherence (Navis & Glynn, 2011). On the one hand, a legitimating narrative thus enables a target audience to attribute meaning to the venture beyond the narrative's substantive impact (cf. Ashforth & Gibbs, 1990). On the other hand, however, it also enables new venture managers to direct attention away from certain facets about their new venture in order to make the venture *appear* legitimate to their target audience (ibid.).

4.2.3. The Back-Stage of Impression Management: The Creation of a Legitimating Narrative

Despite an abundance of research on how managers of new ventures deploy narratives aimed at creating a legitimate impression of their new ventures, we seem to operate from a relatively scarce knowledge-base of how managers *create* the legitimating narratives of their venture they subsequently deploy to targeted resource-holders. While we seem to have a fair understanding of favorable patterns of narratives that elicit impressions of legitimacy (e.g. Lounsbury & Glynn; Martens et al., 2007; Navis & Glynn, 2011; Zott & Huy, 2007), these studies did not account for how legitimating narratives 'get made' (cf. Benford & Snow, 2000). This is both a surprising and critical omission especially since successful managers may devote considerable time and effort when preparing and forming these legitimating narratives about their new ventures (c.f. Hargadon & Douglas, 2001; Santos & Eisenhardt, 2009).

Much of actors' dedication to create legitimate narratives is thus hidden from the views of others (Goffman, 1959). Thus, theorists of impression management have employed the "back-stage"-metaphor (Gardner & Avolio, 1997; Goffman, 1959) to designate the temporal and/or spatial area where actors may prepare, conceptualize and create narratives in order to subsequently deploy these narratives in public on the "front-stage". Remote from views of their target audience, managers may prepare and reflect on how to explain their venture's qualities. And in case of an unsuccessful deployment of a narrative, it will be also back-stage where managers will strive to develop an even more intriguing representation of their venture for subsequent encounters with resource-holders. In the process of creating a legitimating narrative, managers of a new venture will thus aim to get into the eye of the beholder and to assume the target audience's perspective (Goffman, 1959). The creation of a legitimating narrative may thus involve managers' *implicit* 'conversations' with, and anticipations of, a *not-yet-present* target audience (Ginzel et al., 1993).

And yet, the above insights on the back-stage of impression management do not enable us to derive a truly, satisfactory conceptualization of *how* managers create a legitimating narrative at the back-stage of their new venture. To fill this void, we draw from the literature on analogies in cognitive linguistics in order to complement impression management theory and to derive theory on the *processes* involved in the creation of a legitimating narrative on the back-stage of a new venture.

4.3. THE ROLE OF ANALOGIES IN THE CREATION PROCESS OF A LEGITIMATING NARRATIVE

In the following, we argue that (1) legitimating narratives will be based on a set of analogies and (2) that the creation process of a legitimating narrative involves for new venture managers the (a) incremental, (b) systematic and (c) goal-directed process of creating, extending, and integrating analogies. We thus extend recent studies that have provided evidence that analogies will be important for managers in making their new venture appear familiar and legitimate to their target audience (Cornelissen & Clarke, 2010; Etzion & Ferraro, 2011; Hargadon & Douglas, 2001; Santos & Eisenhardt, 2009). Drawing on the literature on analogies in cognitive linguistics (cf. Gentner, 1983; Holyoak, 1985; Holyoak & Thagard, 1989),

4.3.1. The Role of Analogies in a Legitimating Narrative

For the first, we argue that a new venture's identity claims can be fruitfully regarded as analogies. Since have established above that a legitimating narrative may be built around a set of identity claims, we can thus argue in the following that a legitimating narrative may be built around a set of analogies.

Most generally, cognitive linguists regard analogies as associations between one domain that is relatively unfamiliar and other domains that are typically well understood (e.g. Gentner,1998; Holyoak, 2005; for reviews; cf. Gregoire et al., 2010; Gregoire & Shepherd, 2012). These associations enable an actor to shape an audience's impression of an entity that may be unfamiliar to the them (e.g. a new venture) by associating the entity with categories from domains that may be familiar and evocative to the audience (Holyoak, 2005). As identity claims, managers may then, for instance, associate their new venture which may be unfamiliar to their target audience with the supposedly familiar and evocative identity-categories "safe bet" and "green" (e.g. "Our venture is a safe bet for you!" "We are a green company.").

Analogies are critical for the success of a new venture's legitimating narratives in shaping a target audience's impression of the venture. Through the associations that analogies contain, managers of a new venture will aim to make the identity of their new venture, which they will deem not yet familiar to and legitimate for their target audience, more familiar and more legitimate (Lounsbury & Glynn, 2001: 549). When creating the legitimating narrative about their new venture back-stage, managers will accordingly aim to assemble analogies that associate the venture with identity categories from domains that the managers deem understood and valued by their target audience. Drawing from impression management theory, we refer to such identity categories from domains that new venture managers deem well understood and valued by their target audiences as *'audience-specific'* identity categories. By building the legitimating narrative around associations of their new venture with audience-specific identity categories, managers will strive to "translate" 'who we are' and 'what we do' as a new venture "into a language accessible to external constituents" (cf. Basu et al., 1999: 526) thus aiming to actively create impressions of their new venture's legitimacy in their target audience.

If a created legitimating narrative successfully associates a new venture with audience-specific identity categories, the legitimating narrative can later - on the front-stage of impression management - enable the target audience to develop "sympathy" for a new venture (cf. Alexander, 2004: 530) by making the venture both comprehensible and thus cognitively legitimate to a target audience (Aldrich & Fiol, 1994; Suchman, 1995; cf. Cornelissen & Clarke, 2010) but also by making it appear normatively appropriate thus shaping its normative legitimacy (Aldrich & Fiol, 1994). For instance, Hargadon and Douglas (2001) demonstrate how Thomas Alva Edison explained the nature and potential of his new venture which aimed at introducing and selling electric light by skillfully and selectively associating his venture with identity categories from the vocabulary of the then dominant, widely familiar gas light market. Selectively associating his new venture with these audience-specific identity categories from the gas light market, that the prospective customers which Edison targeted as his primary audience were understood, enabled Edison to legitimize the nature and potential of the venture which in turn facilitated the venture's market entry, resource acquisition, and growth. Given this central importance of a new venture's associations to audience-specific identity-categories in a legitimating narrative, it is critical to now look more deeply at how these associations take shape in the creation process of a new venture's legitimating narrative.

4.3.2. Assumptions about the Creation Process of a Legitimating Narrative

For the second, we argue that the creation process of a legitimating narrative involves for new venture managers the (a) incremental, (b) systematic and (c) pragmatic process of creating, extending, and integrating analogies. In this regard, we draw on 3 central assumptions of *how* actors process analogies as boundary conditions for theorizing *how* managers create a legitimating narrative at the back-stage of their new venture.

(a) Managers create a Legitimating Narrative *incrementally.* Actors process analogies between an unfamiliar entity and categories from more familiar domains *incrementally* (e.g. Gentner, Bowdle et al., 2001). As we assume that managers create the legitimating narrative about their new venture by assembling a set of analogies, we follow suit in assuming that managers will too create a legitimating narrative *incrementally*. According to the literature on analogies, in a first step, the incremental creation of a legitimating narrative will begin as managers (1) *create individual*, 'superficial' associations between the unfamiliar entity (here: a new venture) and categories from familiar domains (here: audience-specific identity categories). (2)

Subsequently, the managers will *extend* each of these *individual* superficial associations to create deeper level, 'structural' associations between their new venture and each audience-specific identity categories (c.f. e.g. Gentner, 1998; Holyoak, 2005; for reviews). (3) In a final step of the incremental processing of analogies (and thus of creating a legitimating narrative), managers can draw on each these *individual* structural associations to create an "compound" of structural associations that selectively relates the new venture to several audience-specific identity categories (e.g. Grady, 2005; cf. Cornelissen & Kafouros, 2008; Yu, 2011). As first assumption, we thus contend that the incremental process of creating a legitimating narrative will yield a compound of structural associations between the new venture and audience-specific identity categories and, in turn, that the finalized legitimating narrative will be based on a compound of such structural associations.

Moreover, two primary targets have been reported in the literature on analogies as shaping actors' incremental associations of an unfamiliar entity with more familiar categories: (cf. Holyoak & Thagard, 1989): their 'systematic' target (Gentner, 1983) and their 'pragmatic' target (Holyoak, 1985). We thus assume that these two targets will drive how managers incrementally create a legitimating narrative about their new venture. We discuss each in turn.

(b) Managers create a Legitimating Narrative *systematically*. According to the literature on analogies, actors aim to associate an unfamiliar entity with categories from familiar domains (here: audience-specific identity categories) in a *systematic* way (Gentner, 1989). As we assume that managers create the legitimating account of their new venture by creating and assembling a set of analogies, we follow suit in assuming that managers will create a legitimating narrative *systematically*. 'Systematicity' refers to actors' preference to not only associate an unfamiliar entity (here: a new venture) with categories from familiar domains (here: audience-specific identity categories) but also with the categories' underlying attributes and relations. Systematicity thus adds comprehensiveness and explanatory depth to associations (e.g. Gentner, Bowdle et al., 2001). For instance, in their legitimating narrative, venture managers of an online book store may not only associate their organization with the distinctive audience-specific identity category "superb logistics" (i.e. "We rely on superb logistics") but also with the category's underlying attributes and relations (e.g. "Our delivery times are three times as fast as those of our competitors", "We deliver books free of charge" and several other attributes that explain the identity category "superb logistics" more comprehensively).

If managers' associations of their new venture with audience-specific identity categories indeed turn out to have high systematicity, their audiences will thus evaluate the resulting legitimating narrative as having high comprehensibility and thus high cognitive legitimacy (cf. Suchman, 1995). This may be achieved when the new venture is indeed associated with audience-specific identity categories in a comprehensive way and when these associations thus provide a legitimating narrative with explanatory depth and substance. For instance, in Santos and Eisenhardt's (2009) case study, the managers of the highly successful online shopping venture "Magic" systematically associated their venture with the widely understood audience-specific identity category from the "off-line shopping" domain. Accordingly, they drew on such offline shopping-attributes as "shopping cart" or "check out" in their legitimating narrative about "Magic".

Yet, as the authors hint at, the skillful creation of systematic associations in a legitimating narrative is not an easy task for managers. Rather, the managers of "Magic" strived hard before they were able to create systematic associations of their venture with widely understood identity-categories and their attributes and relations. Managers' success in forming systematic associations of their new venture with audience-specific identity categories will thus vary significantly. Yet, the literature on actors' systematicity bias (e.g. Gentner, 1983) suggests that actors will nonetheless *aim* to create associations of such an unfamiliar entity as a new venture with categories from familiar domains that are systematic and comprehensive rather than those that are superficial and isolated (cf. Holyoak, 1985). We rely on this insight as a second assumption for theorizing how a legitimating narrative will be created.

(c) Managers create a Legitimating Narrative *pragmatically.* According to the literature on analogies, actors also aim to associate an unfamiliar entity (here: a new venture) with categories from familiar domains (here: audience-specific identity categories) that are relevant to their goals (cf. Holyoak, 1985; Holyoak & Thagard, 1989). As we assume that managers create the legitimating account of their new venture by creating and assembling a set of analogies, we follow suit in assuming that managers will create a legitimating narrative *pragmatically*. Managers will thus focus on associating their new venture with those audience-specific identity categories (and those of the categories' underlying attributes and relations) that are "pragmatically central" to them (cf. Holyoak & Thagard, 1989) when creating a legitimating narrative about their new venture. Accordingly, we assume that the primary goal of managers when associating their new venture with audience-specific identity categories when preparing their impression management performance will be to particularly highlight those audience-specific identity categories that explain the identity of a venture in ways that make their new venture appear as if it was normative appropriate. Managers of new ventures will thus aim to highlight the venture's *normative legitimacy* (cf. Aldrich & Fiol, 1994; Suchman, 1995).

Also the creation of associations of a venture with audience-specific identity categories that are indeed considered normatively appropriate by their target audience is far from easy. For instance, the managers of several new ventures in Santos & Eisenhardt's (2009) case study failed to associate their new venture with audience-specific identity categories that were considered appropriate among their target audiences. For instance, the managers of "Haven", another online shopping venture, explained the identity of their new venture as a "community" to their target audience – yet the associations to identity categories from the "community" domain they employed in their legitimating narrative never received track with their target audience which in turn contributed to inhibiting a successful and sustainable competitive position for "Haven" (cf. Santos & Eisenhardt, 2009: 649 pp).

Moreover, new venture managers may need to find a sustainable way for balancing the pragmatic target of making their venture appear normatively appropriate with a legitimating narrative with the their target for gaining systematicity which we elaborated on previously. From instance, while the target of systematicity may drive managers to associate their venture as comprehensively as possible with a given audience-specific identity category, their pragmatic target may make the association of the venture with certain attributes of this category appear normatively inappropriate and thus unacceptable for inclusion in the legitimating narrative. Coping with this tension between comprehensiveness and normative appropriateness may thus require new venture managers to bridge a number of – so to say – 'structural holes' in the network of associations around which they will create the legitimating narrative for their new venture.

The ability of managers to create normatively appropriate associations in their legitimating narrative will hinge on their audience-specific "domain knowledge" [22] (cf. Ganz, 2000: 1012; McMullen & Shepherd, 2006: 140) and thus on their domain-specific space of categories and underlying attributes and relations (cf. Gentner, 1997). Since domain knowledge is not distributed evenly among new venture managers (cf. Ganz, 2000; McMullen & Shepherd, 2006), the likelihood, that the audience-specific identity categories managers can draw from will indeed yield normative legitimacy in the eyes of their target audience, will thus vary greatly among new venture managers. However, according to the literature on actors' processing of analogies, managers will nonetheless *try* to pragmatically create audience-specific

[22] Please not that we explored the role of cultural knowledge as type of such audience-related domain knowledge in extensive detail in the previous chapter 3! In chapter 3, we developed process theory of how new ventures can accumulate such cultural knowledge through repeated experimental interactions with their target audiences and how cultural knowledge influences the ability of new venture managers to engage in skillful symbolic action.

identity categories for their new ventures that are relevant to their goals (cf. Holyoak, 1985). We rely on this insight as a third and final assumption in our theorization of how a legitimating narrative will be created at the backstage of a new venture.

4.3.3. The Creation Process of a Legitimating Narrative

The three above assumptions – that managers of new ventures may create a legitimating narrative around a set of associations of their new venture with audience-specific identity categories (a) *'incrementally'* and that they aim to generate (b) *'systematic'* and (c) *'pragmatic'* associations in this process – enable us to derive three descriptive, sequential sub-processes of how managers create a legitimating narrative at the back-stage of their new venture. These are (1) *Narrative conceptualization*, (2) *Narrative extension*, and (3) *Narrative integration*. Table 4-1 provides an overview of the tasks involved in each of these three sub-processes of creating a legitimating narrative about a new venture. Before we explain each of these three sub-processes in detail, we would like to provide a partial introduction of each to increase their subsequent tangibility.

As a first step in the creation of legitimating narrative, *narrative conceptualization* involves managers' creation of an array of *individual* associations between their new venture and audience-specific identity categories to demarcate the narrative about their new venture. Although superficial in nature, these associations will provide initial points of reference for managers in the back-stage process of creating a legitimating narrative about their venture. At this first stage in the narrative creation process, however, managers will deem the overall legitimacy of the new venture's identity to be relatively low, as – on their own – the array of initial associations of their new venture with audience-specific identity categories may have a limited potential in signaling the venture's comprehensibility and normative appropriateness to a target audience.

As a second step in the creation of legitimating narrative, *narrative extension* subsequently entails for the managers the elaboration of *individual* 'conceptual models' out of each of the previously created associations of the venture to audience-specific identity categories. Managers create these *audience-specific identity models* by finding deeper-level structural associations of their new venture with each audience-specific identity category. As "narrative segments", these audience-specific identity models thus form the "building blocks" of their legitimating narrative about the new venture.

As a final step in the creation of the legitimating narrative, *narrative integration* involves for managers to create a coherent narrative about their venture that conveys their new venture's identity to a target audience in an integrated way. At this final stage of narrative creation, managers will draw on the previously generated audience-specific identity models that each offer partial perspectives on the identity of their new venture to blend these "narrative segments" into a coherent narrative whole. At this final stage, managers will deem the legitimating narrative about their venture to be high both in comprehensibility and normative approval, that is, of high cognitive and normative legitimacy. They will thus deem it ready for deployment on the front-stage.

Empirical Illustration. To illustrate these three sequential sub-processes involved in the creation of legitimating narrative, we draw on an empirical example: We have been observing how managers of PUB-BLUE, a new corporate venture of Northern-European origin, have been developing a bid document in order to acquire a public sector outsourcing contract from the targeted resource-holder GOV, a public sector organization responsible for public service delivery in a relatively poor, working-class area in a Southern-European country[23]. As follows, we conceptualize the development of the bid document as process of how managers create a legitimating

[23] Names and other aspects (e.g. countries) have been purposefully altered and stereotyped to protect our informants.

narrative at the backstage of their new venture. The contract that GOV tendered would involve for PUB-BLUE the delivery of back-office services for GOV. The contract volume was substantial and would enable PUB-BLUE to acquire the resources it desperate required to grow and survive: As *financial* resources, the contract would guarantee PUB-BLUE revenues for a 10 year time period and as *human resources*, it would involve the temporal transfer of 200 public sector employees to PUB-BLUE. In the following, we interweave illustrations from the bid writing process in our theorization of the 3 sequential sub-processes of creating a legitimating narrative and of the managers' systematic and pragmatic tasks involved within each sub-process.

Table 4-1: The Role of Analogies in the Creation of a Legitimating Narrative

Incremental Process of Narrative Creation	Status of Analogies	Status of Legitimating Narrative	Systematic Process*	Pragmatic Process**	Degree of Perceived New Venture Legitimacy***
(1) Narrative Conceptualization	Individual Superficial Associations	Individual Categories	Creating Array of Audience-specific identity Categories	Reducing Array of Audience-specific identity Categories	Low
(2) Narrative Extension	Individual Structural Associations	Individual Narrative Segments	Extending Audience-specific identity Categories into Audience-Specific Identity Models	Manipulating Audience-Specific Identity Models	Medium
(3) Narrative Integration	Compound of Structural Associations	Integrated Narrative	Integrating Audience-Specific Identity Models	Reducing Contradictions	High

* aimed at increasing the new venture's comprehensibility (cf. cognitive legitimacy: Suchman, 1995)

** aimed at increasing the new venture's desirability and normative approval (cf. normative legitimacy: Aldrich & Fiol, 1994)

*** perceived by the new venture managers themselves. This perception may not necessarily be shared by their target audience!

Sub-process 1: Narrative Conceptualization. The process of narrative creation may begin when managers of a new venture compare characteristics of their venture with what they perceive to be the demands of their target audience. In this process, associations of their new venture with audience-specific identity categories – categories from domains deemed to be well understood and valued by their target audiences – may become apparent to new venture managers. Managers may draw on these initial associations to demarcate the boundaries of the legitimating narrative about their new venture. Initially, these associations may be "superficial" in nature and may thus involve recognized associations of the new venture and audience-specific identity categories that the managers deem to be at least partially valid (cf. Gentner, Bowdle et al., 2001). As actors typically derive superficial associations in exploratory ways, managers may create these initial 'candidate' categories for their new venture relatively flexibly (cf. Gentner, 1989). The outcome of this process may thus be a number of audience-specific identity categorizations of the new venture – that is, a number of categories that are intended to associate certain new venture characteristics with perceived demands of the target audience.

In our empirical example, the Northern-European new corporate venture PUB-BLUE anticipated that the targeted Southern European public sector organization GOV sought to fulfill its public sector demands of maximizing public welfare in the area of GOV and of increasing the quality and efficiency of GOV's public sector services through public sector outsourcing. The managers of PUB-BLUE accordingly sought to associate characteristics of PUB-BLUE with these public sector demands of GOV in the development of the bid document. PUB-BLUE's management team started the bid writing process with enlisting a number of superficial associations of PUB-BLUE with GOV-specific identity categories – i.e. categorizations of PUB-BLUE that the management team deemed familiar and valuable to GOV. Among others, these associations of PUB-BLUE to GOV-specific identity categories (underlined) included the following:

- *"We are a partner"*
- *"We are Northern-European"*
- *We are a regenerator of the GOV area"*

Spontaneously creating superficial associations between demands of the target audience and new venture characteristics on the back-stage, however, means that these initial audience-specific identity categorizations of the venture may not be fully goal directed (Gentner, 1997; Holyoak, 1985). The managers may therefore intend to focus specifically on those audience-specific identity categories of their new venture that provide the kind of identity for their new venture that may be in line with the managers' goals (cf. Holyoak & Thagard, 1989: 303), i.e. to make the new venture appear normatively appropriate (cf. Aldrich & Fiol, 1994; Suchman, 1995). The managers may thus *reduce* the array of previously created audience-specific identity categories by 'hiding' those superficial associations of venture characteristics with demands of target audience that they perceive to be not goal-directed and thus normatively inappropriate for their target audience (e.g. Elsbach & Kramer, 1996; cf. Porac et al., 1999).

For instance, when conceptualizing their bid document, the managers of PUB-BLUE quickly excluded the previously created association of their new venture with the identity category of being "Northern-European" as potential highlight in the bid document. The venture managers primarily associated the identity category "Northern-European" with the identity attribute of "being reliable". While the managers were aware of the positive sides of this attribute, they excluded the association of PUB-BLUE with this identity category in order to avoid a loss of the positive impression if this association would make the Southern-European organization GOV feel "unreliable" vis a vis the Northern-European venture PUB-BLUE. Hence, they continued the creation of their bid document based on associations of PUB-BLUE to other GOV-specific identity categories, including those of being a "partner" and a "regenerator" among others.

Managers of a new venture are thus able to draw selectively on those previously created audience-specific identity categories for the venture as "tools" that achieve fit with their local interests (Creed et al., 2002; Elsbach & Kramer, 1996; cf. Emirbayer & Mische, 1998; Swidler, 1986). Back-stage, i.e. protected from the actual views of their target audience, managers can hide incongruences between the demands of their target audience and characteristics of their venture in order to protect their venture's interests while aiming to create a legitimate identity for their venture. Remaining audience-specific identity categorizations of the new venture may thus not simply describe the identity of the venture. They may rather serve managers as anchor points to selectively construct the reality about their venture and to "prescribe how it ought to be viewed and evaluated" (Tsoukas, 1991: 570).

Sub-process 2: Narrative Extension. In the subsequent sub-process involved in the creation of a legitimating narrative, managers may "extend" the remaining superficial associations in order to create "structural" associations of certain new venture characteristics with certain demands of the target audience (cf. Holyoak, 1985). The aim of creating structural associations is to associate the new venture also with the *explanatory structure* underlying each of the developed audience-specific identity categories (c.f. Gentner, 1983; Holyoak, 1985; Tsoukas, 1991). Actors aim to extend these categories by their underlying explanatory structure in order to augment the unfamiliar entity's (here: the new venture's) comprehensibility (e.g. Gentner & Markman, 1997; cf. Gavetti et al., 2005). Structural associations arise when actors include each category's underlying attributes, components, and relationships in the explanation of an unfamiliar entity (here: the new venture) (Gentner & Markman, 2006). When extending superficial associations to structural associations, actors thus create explanatory "*conceptual models*" in the form of "*mini-narratives*" around each category (Yu, 2011).

On the basis of superficial audience-specific identity categorizations of their new venture, this implies for managers a need for "self-induced learning" (Gentner et al.,

2001) in order to generate additional knowledge about more comprehensive commonalities between the demands of their target audience and aspects of the new venture. This may occur through managers' individual reflection (Gentner et al., 2001) or through their inter-individual dialogue in the management team (cf. Tsoukas, 2009). As managers elaborate each audience-specific identity category, they may thus create individual audience-specific *'identity models' – narrative segments* that add comprehensiveness, depth and substance to each association of the venture with an audience-specific identity category. From this perspective, each structural association of characteristics of the venture with demands of the target audience may lead to an additional increase of the managers' perceived comprehensibility and desirability of their new venture's identity (cf. Aldrich & Fiol, 1994; Suchman, 1995).

Accordingly, the managers of PUB-BLUE further elaborated the associations of PUB-BLUE with the two previously created identity categories "partner" and "regenerator", which it deemed familiar and normatively appropriate to their targeted resource-holder, the public sector organization GOV. For the association of PUB-BLUE with the GOV-specific identity category "<u>partner</u>", they developed a GOV-specific identity model by adding attributes and relations around the identity category. These included "We work with you and not against you"; "We do not implement a standardized template but rather customize our approach to your specific local requirements"; "The partnership with us may contribute to the personal success of your employees"; "We have a public sector ethos and deeply care about your maxims" or "We are someone to lean on". For the association of PUB-BLUE with the GOV-specific identity category "<u>regenerator</u> of the GOV area", the managers developed a GOV-specific identity model that included, amongst others, the following identity-attributes and relations: "We create jobs in your area"; "We make you a member in the global network of our parent company"; "We may regenerate your culture, equipment, and service delivery", or "We engage with the business community to push the image of the region".

Yet, when creating structural associations, actors are neither able nor willing to include all inherent attributes and relationships that may underlie the audience-specific identity categories they created. Rather, actors may associate an unfamiliar entity (here: the new venture) only with those attributes and relationships of familiar categories (here: audience-specific identity categories) they deem to fit with their *pragmatic model* of the unfamiliar entity (Holyoak, 1985: 70). That is, if managers' audience-specific identity models are initially not structurally associated with a representation of their new venture they deem normatively appropriate, they may *manipulate* these narrative segments so as to *create* structural associations of the new venture with their models of each target audience-specific identity category that are "pragmatically central" (cf. Holyoak, 1985; Holyoak & Thagard, 1997) and perceived by the new venture managers to be normatively appropriate.

In our empirical illustration, the managers of the corporate venture PUB-BLUE excluded, for instance, the attribute "We regenerate your culture" from the narrative segment around the structural association of their new venture with the GOV-specific identity category "<u>regenerator</u> of the GOV area". While the management team agreed that GOV's working culture would need to become much more pro-active and efficient, they assumed that explicitly confronting the leaders of GOV as well as other involved decision makers (e.g. politicians and unions) with this issue would threaten the normative appropriateness of PUB-BLUE and thus their chances of acquiring the contract which PUB-BLUE required desperately to grow and survive as newly created public sector outsourcing company.

Sub-process 3: Narrative Integration. With the final sub-process involved in the creation of a legitimating narrative, the managers may aim to complete the narrative on which an audience-specific identity of their new venture may be based. As a natural step for the managers, this step involves *integrating* the previously derived audience-specific identity models to create a coherent explanation of the venture's identity which the managers deem both comprehensible and desirable. Cognitive linguists refer to such integrated associations as *compounds* (e.g. Kuepers, 2010; Yu, 2011). Such a compound is created on the basis of several individual structural associations which serve as "primary analogies" (cf. Grady, 2005) and thus as "cornerstones" in the foundation of a compound of analogies (Grady, 2005). Individual, primary analogies are thus not "final products" but rather "building blocks" of the creation of a compound of associations on which the legitimating narrative about a new venture will be based (cf. Yu, 2011: 256). A compound of associations can be formed from an array of structural associations through further elaboration of their inherent conceptual models, that is, by fitting together the smaller narrative-segments of individual conceptual models into a consistent narrative whole (cf. Cornelissen & Kafouros, 2008). While individual structural associations may thus involve single points of alignment between audience-specific identity models and certain new venture characteristics, compounds of associations enable several points of correspondence and entailments between perceived demands of the target audience and the new venture.

Managers may arrive at a compound of associations and thus at an integrated legitimating narrative about their new venture when blending their previously created audience-specific identity models together. In this process, the managers may aim to collapse the narrative segments that underlie each audience-specific identity model into an overarching narrative structure on which their created identity of the venture may be based (cf. Vaara & Tienari, 2011). Pragmatically, the creation of this narrative may involve detecting and reducing contradictions among narrative segments and introducing plot and causality in order to create internal coherence.

In our empirical example, the management team of the new corporate venture PUB-BLUE accordingly integrated the narrative segments they had previously elaborated. They blended their GOV-specific identity models around associations of PUB-BLUE with a number of audience-specific identity categories such as "partner" (including audience-specific identity-attributes like "We may customize our solution to your *specific local requirements") and "regenerator" (including identity-attributes like "We make you a member in the global network of our parent). In the course of creating a holistic legitimating narrative (i.e. the bid document) around these associations, the management team aimed to introduce causality and hierarchy to these narrative segments as well as what they considered as a convincing plot ("a winning story").*

Subsequently, the managers of PUB-BLUE reviewed and refined the bid document striving to further increase its comprehensibility and to detect and avoid inconsistencies contradictions in their argumentation. In this regard, they assumed a contradiction between their association of PUB-BLUE with the GOV-specific identity-attribute of "customized, localized service delivery" in one audience-specific identity model (the model around the audience-specific identity category "partner") and their association of PUB-BLUE with a "globalized" parent company (i.e. an attribute in the identity model around the "regenerator" category). In this specific case, the management team of PUB-BLUE strived to reduce the perceived contradiction by introducing causality between the associations of PUB-BLUE with these different, model-specific attributes. They came to argue in the finalized bid document that PUB-BLUE's drive towards customization and localization "emanates from" the corporate culture of PUB-BLUE's global parent company where customization to each client's local requirements is a deeply rooted core value.

With a legitimating narrative about the venture built around a compound of associations, managers may aim to represent their venture not only in relation to one audience-specific identity category, but in a more complex way by integrating a whole array of audience-specific identity categories. The more skilled managers are, the higher the variety of audience-specific identity categories they may aim to include. Associating their venture with multiple identity categories that their target audience may comprehend and value may in turn enable managers to better shape their audience' impressions of the venture's potential and value (Pontikes, 2012; Rindova & Petkova, 2007) and thus its cognitive and normative legitimacy (cf. Aldrich

& Fiol, 1994; Suchman, 1995). Accordingly, the better managers may be able to integrate multiple audience-specific identity models in their legitimating narrative about the venture, the more they may be able to lead their target audience to developing complex and sophisticated understandings of their venture's potential (cf. Loewenstein & Gentner, 2005; Rindova & Petkova, 2007).

Moreover, once such a compound of audience-specific identity models is created, managers of a new venture may also be able to *dis-integrate* the narrative again in order to recover the specific primary associations – i.e. the individual audience-specific identity models they associate the new venture with – on which the compound was built (cf. Cornelissen & Kafouros, 2008; Yu, 2001). This may enable the managers to focus on certain aspects of their venture's identity when interacting with the target audience or to specifically customize the narrative to achieve a normative approval among a more diverse audience (cf. Zuckerman, Kim, Ukanwa, & von Rittman, 2003) if members of the target audience show conflicting demands (cf. Pache & Santos, 2010) or demand detail on certain aspects of the venture proposition.

4.4. DISCUSSION

We set out to theorize how managers create a legitimating narrative at the back-stage of their new venture. We argued that new ventures are dependent on perceptions of legitimacy in their target audience to acquire resources, survive and grow. Following impression management theory (e.g. Elsbach, 1994; Elsbach & Kramer, 1996), we argued that legitimacy follows from the association of the venture with categories that their target audience understand and value, which in turn yields comprehensibility and thus cognitive legitimacy as well as normative appropriateness and thus normative legitimacy (e.g. Aldrich & Fiol, 1994; Suchman, 1995).

As actors primarily create impressions about their organizations through deploying narratives in public (cf. Elsbach, 2006) when facing their target audience "front-stage", some managers seem particularly skillful in deploying legitimating narratives of their venture to resource-holders (Aldrich & Fiol, 1994; Lounsbury & Glynn, 2001; Martens et al., 2007; Navis & Glynn, 2010; 2011; Santos & Eisenhardt, 2009; Zott & Huy, 2007). Yet, while these studies have been truly groundbreaking in determining which narratives work for managers to elicit impressions of legitimacy for their venture "front-stage" when facing their target audience, we do not know how managers *create* those narratives that are so consequential for the survival of their venture "back-stage" and remote from their resource-holders' view. (cf. Benford & Snow, 2000).

We drew on work from cognitive linguists (cf. Gentner, 1983; Holyoak, 1985; Holyoak & Thagard, 1989) to fill this void within impression theory. We highlighted the role of analogies in the creation process of a new venture's legitimating narrative. We argued that analogies may be central for new venture managers as they enable them to associate their new venture with audience-specific identity categories, that is, with categories from domains that new venture managers deem to be understood and valued by their target audience. By associating their new venture with audience-specific identity categories, we argued that managers strive to gain cognitive and normative legitimacy for their new venture. We thus followed and extended recent studies that have provided evidence that analogies may be important for managers in familiarizing their target audience with their unfamiliar venture and creating impressions of cognitive legitimacy (Cornelissen & Clarke, 2010; Etzion & Ferraro, 2011; Hargadon & Douglas, 2001; Santos & Eisenhardt, 2009).

We then derived three sequential sub-processes involved in the creation of a legitimating narrative by introducing two targets (i.e. a 'systematic' and the 'pragmatic' target) that have been reported by cognitive linguists to shape how actors generate associations (Holyoak & Thagard, 1989; cf. Holoyoak, 1985; Gentner,

1983) and by drawing on the insight that actors generate associations in incremental ways thus gradually increasing their comprehensiveness and coherence (Gentner et al., 2001): First, (1) *Narrative conceptualization* involves for the managers to create an array of individual audience-specific identity categories that comprise selective 'superficial associations' of characteristics with audience-specific identity categories which thus provide initial points of reference in the creation of the legitimating narrative about the venture. Subsequently (2) *narrative extension* entails the creation of individual audience-specific identity models out of the previously created audience-specific identity categories. As "narrative segments", these extended "structural associations" of certain new venture characteristics with certain demands of their target audience form the central, individual "building blocks" of the legitimating narrative. Finally, (3) *narrative integration* involves for the managers the creation of a consistent legitimating narrative by creating a coherent "compound" out of the previously created individual "narrative segments". At this final stage, managers may deem the created narrative about their venture to be high in both comprehensibility and normative appropriateness and thus in cognitive and normative legitimacy (cf. Aldrich & Fiol, 1994; Suchman, 1995).

Our study on the *role of analogies in the creation of a legitimating narrative* contributes to scholarship on organizational impression management; on the role of analogies in new venture legitimation, and to perspectives on analogical processing:

4.4.1. Implications for Impression Management Theory

We offer two contributions to scholarship on organizational impression management research. First, our study highlights the important role of what Goffman (1959) had famously referred to as "*back-stage*" for impression management in general and for research on legitimating narratives in particular. Prior research has almost exclusively focused on how managers respond to resource-holders' demands for legitimacy by engaging in *public* performances and by deploying legitimating narratives about their scrutinized ventures and organizations "*front-stage*", *i.e.* when facing these resource-holders (e.g. Aldrich & Fiol, 1994; Clarke, 2011; Lounsbury & Glynn, 2001; Martens et al., 2007; Navis & Glynn, 2011; Zott & Huy, 2007; Elsbach, 2006). Yet, due to a focus of these studies on which narratives work for actors in publicly creating impressions of their organizations' legitimacy in a target audience, these studies were not designed to uncover the process that would help us understand how these patterns come to be in the organizations' private, back-stage area remote from their resource-holders view.

We contribute to filling this gap by highlighting and conceptualizing how the gradual and reflexive process of *privately* preparing impression management performances in general and of creating legitimating narratives in particular may unfold on the *back-stage* out of sight of the target audience. Accordingly, it may be back-stage that managers may to try get into the eye of the targeted beholder – a competence that has been regarded as central for the strategic acquisition of impressions of legitimacy (cf. Fligstein, 2001; Suchman, 1995; Zimmerman & Zeitz, 2002). These back-stage processes that we contributed to theorizing may thus largely structure, enable, and constrain how actors subsequently deploy legitimating narratives when publicly facing a target audience such as a scrutinizing resource-holder on the front-stage. Emphasizing the back-stage is an important contribution as a focus on the – yet widely under-researched – formation process of impression management strategies complements prior literature by creating a more holistic and complex picture of processes of impression management and of acquiring legitimacy and support.

Second, by drawing on perspectives on analogies from cognitive linguistics, our theoretical framework has the potential to provide a more nuanced and fine-grained perspective on the construction of legitimating narratives than previous work on organizational impression management. Due to an underlying theoretical framework of either theories of categorization and social attribution or narrative theory, prior organizational impression management research has either focused on and analyzed managers' broad identity categorizations of their organizations (e.g. Elsbach &

Kramer, 1996; Staw, McKechnie, & Puffer, 1983) or their fully fledged narrative accounts (cf. Elsbach, 2006; Aldrich & Fiol, 1994; Lounsbury & Glynn, 2001; Martens et al., 2007; Navis & Glynn, 2011). Our study extends the dichotomous notion of initial identity categorizations and fully fledged narratives. Accordingly, integrating organizational impression management theory with perspectives on analogies enabled us to deduce a framework of how fully fledged narrative accounts will be *incrementally created*. We thus contribute to the body of research on organizational impression management by theorizing how initial identity categorizations are *transformed* (i.e. 'extended' and 'integrated') into fully fledged identity narratives.

4.4.2. Implications for Research on New Venture Legitimation

Moreover, we outline two contributions to research on the role of analogies in new venture legitimation and resource acquisition. First, relying on managers' *systematicity* target (cf. Gentner, 1989) when creating analogies, prior research has produced evidence of how managers increase the *comprehensibility* and thus the *cognitive legitimacy* of their venture (cf. Aldrich & Fiol, 1994; Suchman, 1995) by associating their new venture with categories from domains that their audiences may be familiar with (e.g. Cornelissen & Clarke, 2010; Leblebici et al., 1991; Etzion & Ferraro, 2010; Hargadon & Douglas, 2001; Navis & Glynn, 2010; Santos & Eisenhardt, 2009). Yet, comprehensibility and familiarity alone may be too rough a guide for how and which associations 'stick' with resource holders and thus, more broadly, for success in legitimation and resource acquisition (Cornelissen et al., 2012).

In addition to actors' *systematicity* target which has been highlighted in prior research, we also included a complementary focus on managers' *pragmatic requirements* (cf. Holyoak, 1985; Holyoak & Thagard, 1989) when creating associations in general and when creating legitimating narratives in particular. Integrating perspectives on the processing of analogies with impression management theory enabled us to theorize that managers may equally strive to create associations in their legitimating narratives that they deem *normatively appropriate* for their targeted resource-holder. This enabled us to augment the focus on comprehensibility (i.e. cognitive legitimacy) of prior research with an additional focus on created associations' *normative legitimacy* (cf. Aldrich & Fiol, 1994; Suchman, 1995). A combined focus on the cognitive *and* normative legitimacy of analogies may thus facilitate the creation of more fine-grained pictures of how new ventures succeed or fail in acquiring the resources they require desperately to grow and survive in the market environments they entered.

Second, we aimed to highlight that analogies not only figure prominently when managers *deploy* the legitimation strategies aimed at convincing their targeted resource-holders of the nature and potential of their new venture (cf. Etzion & Ferraro, 2010; Lounsbury & Glynn, 2001; Santos & Eisenhardt, 2009). Rather, elaborating on Santos and Eisenhardt's (2009) insight that the most successful managers invest considerable time and energy into the process of *creating* these strategies on their subsequent deployment may be based, we theorized that and how the back-stage creation of a new venture's legitimating strategies also involves for managers the systematic and goal-directed process creating, extending, and integrating analogies.

4.4.3. Implications for Perspectives on the Processing of Analogies

We also seek to contribute to scholarship on the processing of analogies. First, following the case examples of others (e.g. Tsoukas, 1991; Gentner et al., 2001), we have outlined a perspective on the processing of analogies that is socially and temporally situated (cf. Clarke & Cornelissen, 2011). We thus follow suit on references to, for instance, how his processing of analogies gradually structured how the physicist Johannes Keppler arrived at his path-breaking theoretical insights over a stretch of years (Gentner et al., 2001) or how a collective of scholars may gradually and incrementally progress from sketchy insights that are based on superficial associations to fully blown theorizations (Tsoukas, 1991). When specifying a process model of how actors progress from initial individual categorizations on the basis of superficial associations to a fully-fledged narrative that integrates a number of conceptual models into a holistic compound, we have both argued and urge future research to regard the “learning process” that is triggered by the processing of analogies not only as operating within single individuals in a strength of milliseconds, but also as potentially including collectives of individuals and as potentially extending over longer periods of time.

To conclude: a socially and temporally situated focus on the processing of analogies calls for more in-depth research on how actors and collectives arrive at compounds of associations in general and on how managers create those legitimating narratives that are so consequential for their ventures in particular.

5. DISCUSSION OF DISSERTATION

Abstract. This chapter concludes the dissertation. The chapter begins with a review of the main assumptions and definitions that the dissertation was built on. Subsequently, a concise summary will be provided of how the previous chapters of this dissertation addressed 2 central research foci – i.e. (1) how normative new venture legitimation strategies evolve and (2) how normative new venture legitimation strategies are formed. Finally, the contributions of this dissertation will be discussed. Its main contribution is the elaboration of a detailed perspective on antecedents, processes and outcomes of normative new venture legitimation.

5.1. BACKGROUND ASSUMPTIONS AND CONCEPT DEFINITIONS

CHAPTER 1 provided an introduction to this dissertation by demarcating its broader theoretical context and its key concepts, i.e.: *new ventures, legitimacy, resources, resource-holders*, *legitimation*, and *legitimation strategy*. We started by highlighting the critical role of legitimacy for *new ventures* which we defined as encompassing both independent- and corporate ventures in their first years of existence (e.g. Zimmerman & Zeitz, 2002). Grounded in neo-institutional theory (cf. DiMaggio & Powell, 1983; Meyer & Rowan, 1977) and commensurable theoretical perspectives, a new venture can be regarded to 'have' *legitimacy* when it appears consistent with the rules, norms, and beliefs, that are shared in its (typically external) social and cultural environment and when its audiences (including such *resource-holders* as investors, consumers, or certification authorities) consider it appropriate, acceptable, and/or desirable (e.g. Bitektine, 2011; Suchman, 1995). These theoretical perspectives conceive of legitimacy as most important asset for a new venture in order to acquire urgently needed but scarce *resources* from resource-holders and to thereby overcome those liabilities that lead to their frequent failure (e.g. Singh et al., 1986).

We distinguished 3 important types of a new venture's legitimacy – that is, its regulative legitimacy (its alignment with rules and laws), its normative legitimacy (its alignment with cultural norms and values), and its cognitive legitimacy (its alignment with widely shared beliefs and ideas). Finally, we also made the distinction between legitimacy as potential outcome and property of new ventures and *legitimation* as the actual process of acquiring legitimacy for a new venture between the managers of a new venture and a certain audience (e.g. a resource-holder) (Bitektine, 2011). In this regard, we defined new venture *legitimation strategies* most generally as legitimation practices mobilized by managers of a new venture that are purposive and calculated (Suchman, 1995: 576).

5.2. REVIEW AND FOCUS

The subsequent CHAPTER 2 then provided the actual foundation of this dissertation with a comprehensive review of the literature on the role of legitimacy for new ventures. This was achieved through a systematic data base survey which yielded a total of 54 high-impact articles from the fields of organization theory and strategy, entrepreneurship, and sociology. Based on a careful examination of these articles, we found that prior research can be effectively categorized into *four main research trajectories*, each depending on the assumed *degree of agency* of a new venture (low/high) and the explored *level of analysis* (individual venture/collectives of ventures). As follows, these trajectories are: (1) 'Legitimate New Venture Characteristics' (low/new venture), (2) 'Legitimate Industry Characteristics' (low/collective), (3) 'New Venture Legitimation Strategies' (high/new venture), and (4) 'Industry Legitimation Strategies' (high/collective). We then analyzed how the 3 types of legitimacy which we outlined above (i.e. regulative, normative, cognitive) have been explored within each trajectory.

On the basis of this review, we focused this dissertation on advancing scholarship on '*new venture legitimation strategies*' (trajectory 3), that is on the attempts of new ventures to acquire legitimacy from a targeted resource-holder in purposive, calculated, and ideally in controlled ways (cf. Suchman, 1995: 576). In this regard, we observed that while studies on new venture legitimation strategies have already started uncovering which patterns of strategic action work for managers in order to acquire legitimacy for their new ventures (e.g. Lounsbury & Glynn, 2001; Navis & Glynn, 2011; Zott & Huy, 2007), these studies were not intended to uncover how these patterns of strategic action come to be (cf. Langley, 2007: 273). The most general motivation of this dissertation was thus to develop *process theories of new venture legitimation* in general and, in particular, on:

RESEARCH FOCUS 1: How New Venture Legitimation Strategies *Evolve*

RESEARCH FOCUS 2: How New Venture Legitimation Strategies *are formed*

To add further specificity to these 2 research foci, we further zoomed in on how *normative* new venture legitimation strategies (i.e. how new ventures aim to achieve alignment with the norms and values in the cultural environment of their resource-holders) evolve and emerge. Prior research on the strategic actions that organizations engage in to acquire normative legitimacy has predominantly drawn on the complementary perspectives of symbolic management and impression management (for new ventures: Aldrich & Fiol, 1994; Zott & Huy 2007; for other contexts: e.g. Elsbach, 1994; Westphal & Zajac, 1994). We defined impression management as involving managers' purposeful attempts to construct an identity for their new venture that will be regarded positively by a targeted audience (e.g. a resource-holder such as a consumer, investor, or prospective employee) (cf. Elsbach & Kramer, 1996) and symbolic actions as attempts to appear consistent with values and expectation in the cultural environment of targeted resource-holders while pursuing one's own, divergent interests (Ashforth & Gibbs, 1990: 180).

As shortcoming of the first – i.e. the application of symbolic management perspectives to new venture research – we observed that prior research has concentrated on the symbolic management of new ventures while insufficiently attending to its frequently studied *opposite* – i.e. "*substantive management*" (e.g. Ashforth & Gibbs, 1990; cf. Brown, 1994; Westphal & Zajac, 1994).

As shortcoming of the second – i.e. the application of impression management perspectives to new venture research – we uncovered that prior research had concentrated on how managers of new ventures *deploy* impression management strategies "*front-stage*" when facing targeted resource-holders to the detriment of explicating how they *develop* these strategies "*back-stage*" and remote from resource-holders' view (cf. Goffman, 1959).

We geared each of our two research foci towards addressing one of these two central gaps in the literature on normative new venture legitimation.

5.3. FINDINGS

5.3.1. Research Focus 1: How Normative New Venture Legitimation Strategies Evolve[24]

CHAPTER 3 derived a first fine-grained process perspective on normative new venture legitimation. It addresses THEORETICAL GAP 1 by specifically exploring *symbolic and substantive* new venture legitimation practices (i.e. Ashforth & Gibbs, 1990). The chapter addresses RESEARCH QUESTION 1: *How do legitimation practices*[25] *of a new venture evolve across repeated resource acquisition attempts?* This question is aimed at resolving ambiguity between institutional theory- and cultural theory-perspectives on the potential of new ventures to engage in 'skillful symbolic action' in general and at the early time of new venture creation and market entry in particular. Addressing this question is of significant importance to more clearly specify how new ventures acquire legitimacy and resources.

We aimed to explore this question and to elaborate existing theory (cf. Bluhm et al., 2011) by drawing on the longitudinal qualitative study of a new venture in its first 6 years in a public sector outsourcing market. We analyzed data on its 6 sequential resource acquisition attempts (i.e. its bidding processes for public sector outsourcing contracts) as embedded cases to uncover new venture legitimation practices within each of these demanding resource acquisition attempts.

[24] Please note that we explore *symbolic* and *substantive* legitimation practices (cf. Ashforth & Gibbs, 1990) in this chapter! Symbolic legitimation involves gaining an appearance of normative legitimacy while pursuing one's own divergent interests and substantive legitimation involves full (rather than symbolic) conformance to the legitimacy criteria of resource-holders (ibid.). As symbolic legitimation has been frequently referred to as a "*highly strategic*" legitimation practice (e.g. Crilly, Zollo, & Hansen, 2012, for a review) whereas substantive legitimation has been referred to as a "*the least strategic*" legitimation practice (e.g. Zimmerman & Zeitz, 2002: 423), we thus explore legitimation *practices* rather than legitimation *strategies* in this study.

[25] For reasons of convenience and readability, we referred to "normative legitimacy" as "legitimacy" throughout this study.

Perhaps most importantly, we identified the new venture's evolving knowledge about the norms and values in its target environment (i.e. the public sector) as 'change engine' of the new venture's legitimation practices. Following cultural theorists, we referred to such knowledge as *cultural knowledge* (e.g. Howard-Grenville, 2007; Molinsky, 2007; 2013). We further delineated 3 types of cultural knowledge (knowledge of cultural *contents*, *audiences*, and *rituals*) and showed how cultural knowledge determined the legitimation practices mobilized within 3 distinct temporal phases:

In phase 1, due to its limited cultural knowledge, the new venture was forced to engage in *substantive legitimation* practices (i.e. full conformance to resource-holders' demands). As these practices yielded *heterogeneous outcomes* and endangered the survival of the new venture (i.e. substantive legitimation led both to an *inflow* of resources as well as an immense *outflow* of resources), in phase 2, the venture engaged in repeated *experimentation* to yield a more beneficial repertoire of legitimation practices. As follows, it was only in phase 3, after the venture had accumulated extensive cultural knowledge during 4 years in the market, that the new venture could engage in symbolic legitimation which finally yielded the *favorable outcomes* (i.e. resource inflow but little resource outflow) that may help secure long term new venture survival and persistence. Table 5-1 provides definitions of the normative legitimation practices observed in this study.

Table 5-1: Normative New Venture Legitimation Practices

Legitimation practices	Definitions	References
Substantive legitimation	Acquiring legitimacy by compromising own interests and scarce resource endowments – caused "resource dissipation" and may ultimately lead to *failure* of new venture (cf. Bruederl & Schuessler, 1990)	cf. Ashforth & Gibbs (1990)
- conforming	Obeying in full to resource-holders legitimacy criteria	cf. Zimmerman & Zeitz (2002)
- coopting	Including a resource-holder into the venture's policy making structure and sharing potential future returns	cf. Selznick (1948)
Symbolic Legitimation	Acquiring legitimacy in a targeted audience without compromising own interests and scarce resource endowments – may ultimately lead to *survival* of new venture (cf. Meyer & Rowan, 1977)	cf. Ashforth & Gibbs (1990)
- selecting	Targeting resource-holders in positions and regions with favorable legitimacy criteria	cf. Zimmerman & Zeitz (2002)
- decoupling	Ceremonially signaling compliance to resource-holders' legitimacy criteria while pursuing divergent interests	cf. Meyer & Rowan (1977)
- manipulating	Influencing resource-holders' legitimacy criteria in an unobtrusive way	cf. Zimmerman & Zeitz (2002)
- tailoring	Highlighting legitimate aspects of the new venture while hiding illegitimate aspects thus creating a socially desirable identity for the new venture	cf. Elsbach & Kramer (1996)

5.3.2. Research Focus 2: How Normative New Venture Legitimation Strategies are formed

CHAPTER 4 derives a second fine-grained process perspective on normative new venture legitimation. Addressing THEORETICAL GAP 2, the chapter theorizes the "back-stage" of impression management (cf. Goffman, 1959). The chapter thus addresses RESEARCH QUESTION 2: *How managers create a legitimating narrative at the back-stage of their new venture?* While we know that legitimating narratives – written documents or oral accounts deployed by actors to explain the nature and potential of their organization in a coherent and ordered manner (cf. Elsbach, 2006; Martens et al., 2007) – are a decisive tool in the arsenal of managers' impression management strategies for gaining legitimacy for their new venture "front-stage" (i.e. when facing targeted resource-holders), this question is aimed to theorize the underexplored terrain of how managers *create* these legitimating narratives, that are so important for their venture's fates, "back-stage" (i.e. temporally and spatially remote from resource-holders) (cf. Goffman, 1959).

As impression management perspectives per se do not enable to theorize *how* legitimation narratives are created back-stage, we built process-theory *deductively* thus drawing on perspectives on *analogies* from cognitive linguistics (c.f. Cornelissen & Clarke, 2010) as an adequate complement in order to fill this void. We argued that (1) legitimating narratives will be based on a set of analogies – associations of the new venture with 'audience-specific identity categories' (i.e. identity categories perceived as familiar and valuable to the target audience by new venture managers) – and (2) that the creation of a legitimating narrative involves for new venture managers the (a) incremental, (b) systematic and (c) goal-directed process of creating, extending, and integrating these analogies. Drawing from the literature on analogies, we thus infer that managers incrementally create legitimating narratives according to two central targets: the 'systematic' target (cf. Gentner, 1983) to create a *comprehensive and coherent* narrative and the 'pragmatic' target (Holyoak & Thagard, 1989) to create a *normatively appropriate* narrative. On this basis we theorized that the incremental process of creating a legitimating narrative may involve 3 descriptive, sequential back-stage sub-processes:

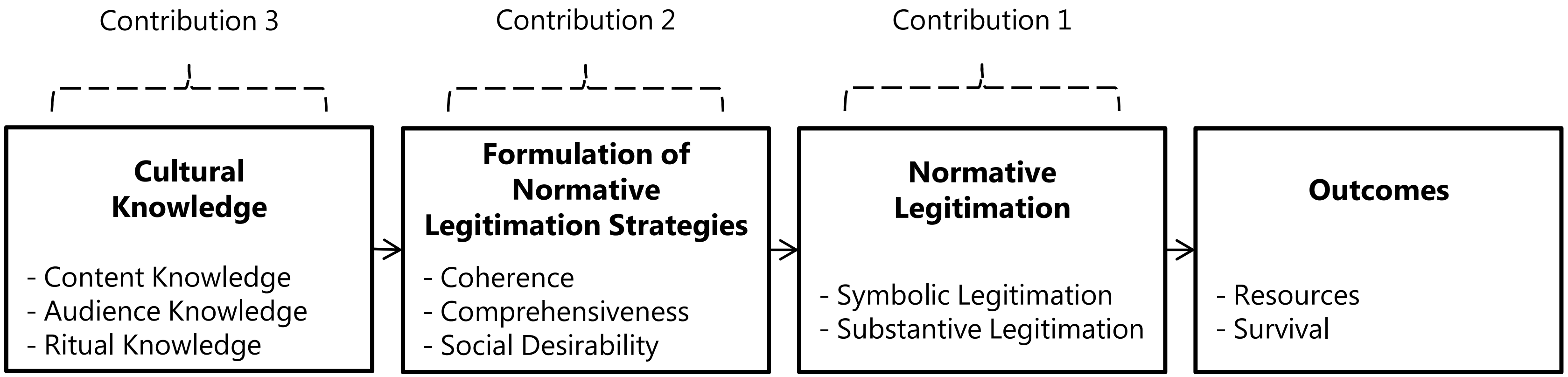
(1) *Narrative conceptualization* involves (a) creating an array of initial associations between the new venture and audience-specific identity categories (systematic) as well as (b) hiding of those associations that make the identity appear socially undesirable (pragmatic). Subsequently, (2) *narrative extension* involves (a) extending the remaining associations into 'narrative segments' that explain each identity-category in more detail (systematic) while (b) hiding socially undesirable attributes and relationships of these narrative segments (pragmatic). Finally, (3) *narrative*

integration involves the (a) causal integration of these narrative segments (systematic) and (b) the reduction of ensuing contradictions (pragmatic). The result of these 3 descriptive back-stage-processes will be a legitimating narrative that managers deem to represent the identity of their new venture in a coherent and normatively appropriate way and that they may subsequently mobilize to strategically legitimate their new venture when facing a targeted resource-holder on the front-stage of impression management.

5.4. CONTRIBUTIONS OF DISSERTATION

This dissertation offers a number of important contributions to the literature on the role of legitimacy for new ventures. In this regard, the chapters 3 and 4 complement the existing literature on new venture legitimation in general and on normative new venture legitimation in particular in that both chapters spell out the processes and practices of how legitimation strategies that may be so crucial for resource acquisition (cf. Lounsbury & Glynn, 2001; Navis & Glynn, 2011; Martens et al., 2007; Zott & Huy, 2007) and new venture survival (cf. Khaire, 2010; Zimmerman & Zeitz, 2002) come to be, that is, how they *emerge* and how they *are formed*. Moreover, when taken together, chapters 3 and 4 hold promise to create a more detailed conceptualization of antecedents, processes and outcomes of normative new venture legitimation (see Figure 5-1). As depicted in the conceptual model, our dissertation establishes an argumentative chain from the cultural knowledge of a new venture, which may affect the formation and execution of its normative legitimation strategies, which may in turn affect new venture outcomes. In the following, we work through the depicted model, to elaborate on those 3 aspects that demarcate the dissertation's core contributions.

Figure 5-1: Antecedents, Processes and Outcomes of Normative New Venture Legitimation



5.4.1. Contribution 1: How Normative Legitimation Affects New Venture Outcomes

First, a dominant theme across the disciplines of organization theory and strategy, entrepreneurship, and sociology is that acquiring legitimacy in general and normative legitimacy among key resource-holders in particular is beneficial for new ventures in that (normative) legitimacy may facilitate resource acquisition (e.g. Lounsbury & Glynn, 2001; Navis & Glynn, 2011; Zott & Huy, 2007) and – by overcoming the new venture's "liability of newness" in this way – thus also new venture survival (Stinchcombe, 1965; cf. Aldrich & Fiol, 1994; Singh et al., 1986; Zimmerman & Zeitz, 2002).

What we add to this debate through our exploration of THEORETICAL GAP 1 (cf. Chapter 3), is that it may not only be important to observe *whether and how* new ventures acquire normative legitimacy. Rather, it may be even more important to explore *the conditions* under which new ventures acquire normative legitimacy. In this regard, we drew on the distinction between *symbolic legitimation* and *substantive legitimation* (cf. Ashforth & Gibbs, 1990) to complement the predominant focus of prior research on new ventures' *symbolic* actions (e.g. Lounsbury & Glynn, 2001; Navis & Glynn, 2011; Zott & Huy, 2007). On this basis, we could argue that only *symbolic legitimation* practices – when employed repeatedly and across resource acquisition processes – may promote new venture survival due to their effect in enabling the *inflow* of resources while preventing the *outflow* of resources. On the other hand, the continued use of *substantive legitimation* practices may even promote new venture failure rather than survival in that they enable the *inflow* but also the *outflow* of resources. Following a famous historical example, we referred to such substantive legitimation practices as *pyrrhic victories* for new ventures when the victory of acquiring legitimacy and resources leads to such devastating resource outflows that – in the words of Pyrrhus – "one more such victory will utterly undo us".

Distinguishing symbolic legitimation from substantive legitimation may then refine a central theme in the literature on new venture survival: On the one hand, *substantive legitimation* practices may enable a new venture to overcome its "liability of newness" (Stinchcombe, 1965) due to the *acquisition* of initial resources in the market the venture entered. On the other hand, however, substantive legitimation may also lead a new venture to its "liability of adolescence" due to the "*dissipation*" of its scarcely available resources (Bruederl & Schuessler, 1990). As follows, only the sustained use of *symbolic* legitimation practices will enable a new venture to overcome *both* liabilities which will be necessary to secure its survival and persistence. The differentiation between symbolic and substantive legitimation practices and the counter-intuitive insight that certain legitimation practices may promote *failure* rather than survival will thus offer an important contribution to a dominant theme in the literature.

5.4.2. Contribution 2: How Normative New Venture Legitimation Strategies are formulated

Second, through our exploration of THEORETICAL GAP 2 (cf. Chapter 4), we have also theorized how normative new venture legitimation strategies will be formulated, that is, prepared and developed. Drawing on the arsenal of impression management theory, we have thus elaborated on the "back-stage" processes (cf. Goffman, 1959), through which legitimation strategies take shape remote from resource-holders' view and prior to their actual deployment. In this way, we draw scholarly attention to the critical importance of the back-stage in largely influencing subsequent audience-facing "front-stage" processes and outcomes. In this regard, our dissertation valuably complements existing research on new venture legitimation in general and impression management in particular which has predominantly focused on the *deployment* of legitimation strategies (e.g. Aldrich & Fiol., 2011; Clarke, 2011; Zott & Huy, 2007) rather than on their *creation*.

We drew from the literature on analogies to infer that managers of new ventures incrementally create 'legitimating narratives' (cf. Elsbach, 2006) – a specific form and modality of a legitimation strategy – at the back-stage of their new venture according to two central targets: the so-called 'systematic' target (cf. Gentner, 1983) according to which managers will aim to create *comprehensive and coherent* legitimation strategies and the 'pragmatic' target (Holyoak & Thagard, 1989) according to which managers of new ventures will aim to create *normatively appropriate* legitimation strategies. On this basis, we can infer that the strength of these two targets will largely determine both the formulation *process* of legitimation strategies as well as the resulting *content* and *outcome*.

In particular, we contribute to the literature on new venture legitimation *'narrative conceptualization', 'narrative extension', and 'narrative integration'* as 3 sequential processes of how legitimating narratives get made (e.g. Lounsbury & Glynn, 2001; Martens et al., 2007; Navis & Glynn, 2011; cf. Benford & Snow, 2000). Drawing from the literature on analogies, we thus offer a perspective that enables to track how broad individual identity categories will be gradually extended and integrated into a fully developed normative legitimation strategy. Such a theory of back-stage processes thus valuably complements existing impression management perspectives which have *either* focused on broad individual identity categorizations (e.g. Elsbach & Kramer, 1996) *or* on fully fledged narrative accounts as determining actors' impression management strategies (Elsbach, 1994) rather than focusing – as we did – on how the former will be 'extended' and 'integrated' to evolve into the latter.

5.4.3. Contribution 3: How Cultural Knowledge Affects Normative New Venture Legitimation

Finally, we have uncovered the preeminent role of cultural knowledge for both the formulation and execution of normative new venture legitimation strategies (cf. Chapter 3). Involving the knowledge of a new venture about the norms and values in the cultural environment of its targeted resource-holders (cf. Molinsky, 2007), we have empirically derived a typology of 3 different types of cultural knowledge: First, *content knowledge*, as a new venture's knowledge about the ideational contents that structure the collective rationality of resource-holders in a targeted cultural environment. Second, *audience knowledge*, as a new venture's knowledge about how different groups of resource-holders, depending on their position within a targeted cultural environment, draw differently on these cultural contents. And finally, *ritual knowledge*, as a new venture's knowledge about the practices that resource-holders within a targeted cultural environment employ to coordinate their actions and achieve their ends.

As specific type of "domain knowledge", cultural knowledge may be critical for a new venture's "strategic capacity" (cf. Ganz, 2000). In specific, cultural knowledge may be necessary for a new venture in order to skillfully "extract" normative legitimacy from its cultural environment in a strategic – that is, a "purposive, calculated, and controlled" – way (cf. Suchman, 1995). By shaping a new venture's pragmatic target to appear normatively appropriate to resource-holders (cf. Research Focus 2 and Contribution 2), cultural knowledge will be a critical cultural resource for developing and skillfully mobilizing legitimation strategies that yield such favorable outcomes as resource acquisition (Lounsbury & Glynn, 2001; Navis & Glynn, 2011; Zott & Huy, 2007), growth (Khaire, 2010; Zimmerman & Zeitz, 2002), and survival (Singh et al., 1986; Stinchcombe, 1965).

Specifically, we have uncovered *cultural knowledge* as antecedent condition for *symbolic legitimation* and its opposite – lack of cultural knowledge – as antecedent condition for *substantive legitimation* (Ashforth & Gibbs, 1990; Suchman, 1995): We have thus shown that without cultural knowledge, organizations will be unable to respond strategically to the legitimacy criteria of their resource-holders (cf. Oliver, 1991) and will thus have to resort to substantive legitimation practices – that is, full conformance to resource-holders' legitimacy criteria (cf. Ashforth & Gibbs, 1990) – in order to acquire desperately needed resources.

Highlighting the central role of cultural knowledge for symbolic legitimation, our study uncovers that those studies that have depicted new ventures as skillful symbolic actors (e.g. Lounsbury & Glynn, 2001; Zott & Huy, 2007) may have envisioned or studied contexts with demands that rank low in terms of how new ventures would experience their complexity and distance to previous experiences (cf. Molinsky, 2007). Only in such cases would it be comprehensible to ascribe to new ventures a potential to skillfully mobilize evocative symbols and to engage in symbolic legitimation in general and at the time of foundation and market entry in particular.

But if the system of norms and values in the cultural environment that a new venture has targeted is highly complex and if the founders and managers of the venture were *not* able to gain in-depth experience in this cultural domain prior to new venture creation and market entry – as was the case in our empirical study in chapter 3 – new ventures may rather have to first mobilize substance and to repeatedly engage in experimentation in order to generate a repertoire of more beneficial legitimation practices that may eventually enable them to grow profitably, survive, and persist.

REFERENCES[26]

Ahuja, G., Soda, G., & Zaheer, A. 2012. The Genesis and Dynamics of Organizational Networks (Introduction to Special Issue. ***Organization Science***, in press.

Albert, S., & Whetten, D. 1985. Organizational identity. ***Research in Organizational Behavior***, 7: 263–295.

Aldrich, H. E. & Ruef, M. 2006. ***Organizations evolving (2nd edition)***. Thousand Oaks, CA: Sage.

Aldrich, H.E. & Fiol, C.M. 1994. Fools Rush In - The Institutional Context Of Industry Creation. ***Academy of Management Review***, 19(4): 645-670.

Alexander, J. C. 2004. Cultural Pragmatics: Social Performance Between Ritual and Strategy. ***Sociological Theory***, 22(4): 527-563.

Alvarez, S. A., Barney, J. B., & Anderson, P. 2012. Forming and Exploiting Opportunities: The Implications of Discovery and Creation Processes for Entrepreneurial and Organizational Research. ***Organization Science***, in press.

Arndt, M., & Biggelow, B. 1990. Presenting Structural Innovation in an Institutional Environment: Hospitals' Use of Impression Management. ***Administrative Science Quarterly***, 45, 3: 494-522.

Arthurs, J. D., Busenitz, L.W., Hoskisson, R.E., & Johnson, R.A. 2009. Signaling And Initial Public Offerings: The Use And Impact Of The Lockup Period. ***Journal of Business Venturing***, 24(4): 360-372.

Ashforth, B. E., & B. W. Gibbs. 1990. The Double-Edge of Organizational Legitimation. ***Organization Science***, 1(2): 177-194.

Ashforth, B. E., & Mael, F. 1989. Social Identity Theory and the Organization. ***Academy of Management Review***, 14(1): 20-39.

Baker, T., Miner, A. S., Eesley, D. T. 2003. Improvising Firms: Bricolage, Account Giving and Improvisational Competencies in the Founding Process. ***Research Policy***, 32: 255-276.

[26] The articles we reviewed in chapter 2 are underlined.

Barley, S. R., Meyer, G. W., & Gash, D. C. 1988. Cultures of Culture: Academics, Practitioners and the Pragmatics of Normative Control. ***Administrative Science Quarterly***, 33(1): 24-60.

Basu, O. N., Dismith, M. W., & Gupta, P. P. 1999. The Coupling of the Symbolic and the Technical in an Institutionalized Context: The Negotiated Order of the GAO's Audit Reporting Process. ***American Sociological Review***, 64, 4: 506-526.

Baum, J.A.C. & Oliver, C. 1991. Institutional Linkages And Organizational Mortality. ***Administrative Science Quarterly***, 36(2): 187-218.

Baum, J.A.C. & Oliver, C. 1992. Institutional Embeddedness And The Dynamics Of Organizational Populations. ***American Sociological Review***, 57(4): 540-559.

Baum, J.A.C. & Singh, J.V. 1994. Organizational Niches And The Dynamics Of Organizational Founding. ***Organization Science***, 5(4): 483-501.

Bell, R.G., Moore, C.B., & Al-Shammari, H.A. 2008) "Country of Origin and Foreign IPO Legitimacy: Understanding the Role of Geographic Scope and Insider Ownership." ***Entrepreneurship Theory and Practice***, 32(1): 185-202.

Benford, R. D., & Snow, D. A. 2000. Framing Processes and Social Movements: An Overview and Assessment. ***Annual Review of Sociology***, 26: 611-639.

Bingham, C. B., & Davis, J. P. 2012. Learning Sequences: The Existence, Effect and Evolution. ***Academy of Management Journal***, in press.

Bitektine, A. 2011. Toward a Theory of Social Judgments of Organizations: The Case of Legitimacy, Reputation, and Status. ***Academy of Management Review***, 36(1): 151-179.

Bluhm, D. J., Harman, W., Lee, T. W., & Mitchell, T. R. 2011. Qualitative Research in Management: A Decade of Progress. ***Journal of Management Studies***, 48(8): 1866–1891.

Bolino, M. C., Kacmar, K. M., Turnley, W. H., & Gilstrap, J. B. 2008. A Multi-Level Review of Impression Management Motives and Behaviors. ***Journal of Management***, 34: 1080-1109.

Bourdieu, P. 1991. ***Language and Symbolic Power***. Cambridge: Harvard University Press

Braun, V., & Clarke, V. 2006. Using thematic analysis in psychology. ***Qualitative Research in Psychology***, 3: 77-101.

Brown, A. D. 1994. Politics, Symbolic Action and Myth Making in Pursuit of Legitimacy. ***Organization Studies***, 15, 6: 861-878.

Bruederl, J, Preisendoerfer, P., & R. Ziegler. 1992. Survival Chances of Newly Founded Business Organizations. ***American Sociological Review***, 57(2): 227-242.

Bruederl, J., & Schuessler, R. 1990. Organizational Mortality: The Liabilities of Newness and Adolescence. ***Administrative Science Quarterly***, 35, 3: 530-547.

Bruton, G. D., & Ahlstrom. 2010. Rapid Institutional Shifts and the Co-evolution of Entrepreneurial Firms in Transition Economies. ***Entrepreneurship Theory and Practice***, 34(3): 531-554

Budros, A. 1994. Analyzing Unexpected Density-Dependence Effects on Organizational Births in New York Life Stock Insurance Industry, 1842-1904. ***Organization Science***, 5(4): 541-553.

Burgelman, R. A. 1983. A process model of internal corporate venturing in the diversified major firm. ***Administrative Science Quarterly***, 28: 223-244.

Certo, S.T. 2003. Influencing Initial Public Offering Investors With Prestige: Signaling With Board Structures. ***Academy of Management Review***, 28(3): 432-446.

Clarke, J. 2011. Revitalizing Entrepreneurship: How Visual Symbols are Used in Entrepreneurial Performances. ***Journal of Management Studies***, 48, 6: 1365-1391.

Clarke, J., & Cornelissen, J. P. 2011. Language, Communication, and Socially Situated Cognition in Entrepreneurship. ***Academy of Management Review***, 36, 4: 776-778.

Cliff, J. E., Jennings, P.D., & Greenwood, R. 2006. New To The Game And Questioning The Rules: The Experiences And Beliefs Of Founders Who Start Imitative Versus Innovative Firms. ***Journal of Business Venturing***, 21(5): 633-663.

Cohen, B.D. & Dean, T.J. 2005. Information asymmetry and investor valuation of IPOs: Top management team legitimacy as a capital market signal. ***Strategic Management Journal***, 26(7):683-690.

Cornelissen, J. P. & Clarke, J. S. 2010. Imagining And Rationalizing Opportunities: Inductive Reasoning And The Creation And Justification Of New Ventures. ***Academy of Management Review***, 35(4): 539-557.

Cornelissen, J. P., & Kafouros, M. 2008. The Emergent Organization: Primary and Complex Metaphors in Theorizing about Organizations. ***Organization Studies***, 29: 957-978.

Cornelissen, J. P., Holt, R., & Zundel, M. 2012. The Role of Analogy and Metaphor in the Framing and Legitimization of Strategic Change. ***Organization Studies***, in press.

Creed. W, E. D., Scully, M. A., & Austin, J. R. 2002. Clothes Make the Person? The Tailoring of Legitimating Accounts and the Social construction of Identity. ***Organization Science***, 13(5): 475-496.

Crilly, D., Zollo, M., & Hansen, M. 2012. Faking it or Muddling Through? Understanding Decoupling in Response to Stakeholder Pressures. ***Academy of Management Journal***, in press.

Davis, G. F., Morrill, C., Rao, H., & Soule, S. A. 2008. Introduction: Social Movements in Organizations and Markets. ***Administrative Science Quarterly***, 53: 389-394.

Deephouse, D. L. & M. Suchman, 2008. Legitimacy in Organizational Institutionalism. In R. Greenwood, C. Oliver, R. Suddaby & K. Sahlin-Andersson (Eds.), ***Handbook of Organizational Institutionalism***. London: Sage.

Deephouse, D. L. 1996. Does isomorphism legitimate? ***Academy of Management Journal,*** 39: 1024–1039.

Delmar, F. & Shane, S. 2004. Legitimating First: Organizing Activities And The Survival Of New Ventures. ***Journal of Business Venturing***, 19(3): 385-410.

DiMaggio, P. J. & Powell, W W 1983. The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. ***American Sociological Review***, 48: 147-160.

Dobrev, S. D. & Gotsopoulos, A. 2010. Legitimacy Vacuum, Structural Imprinting, and the First Mover Disadvantage. ***Academy of Management Journal***, 53(5): 1153-1174.

Donaldson, T., & Preston, L. E. 1995. The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. ***Academy of Management Review***, 20(1): 65-91.

Douglas, M. 1986. ***How institutions think***. New York: Syracuse University Press.

Dowling, J., & Pfeffer, J. 1975. Organizational legitimacy: Social values and organizational behavior. ***Pacific Sociological Review***, 18: 122–136.

Drori, I., & Honig, B., & Scheaffer, Z. 2009. The Life Cycle of an Internet Firm: Scripts, Legitimacy, and Identity. ***Entrepreneurship Theory and Practice***, 715-738.

Drori, I., Honig, B., & Sheaffer, Z. 2009. The Life Cycle Of An Internet Firm: Scripts, Legitimacy, And Identity. ***Entrepreneurship Theory and Practice***, 33(3): 715-738.

Elsbach, K. D. & Kramer, R. M. 1996. Members' responses to organizational identity threats: encountering and countering Business Week rankings'. ***Administrative Science Quarterly***, 41, 442–76.

Elsbach, K. D. 1994. Managing organizational legitimacy in the California cattle industry: the construction and effectiveness of verbal accounts. ***Administrative Science Quarterly***, 39, 57–88.

Elsbach, K. D. 2006. ***Organizational Perception Management***. Lawrence Erlbaum Associates.

Elsbach, K. D., & Sutton, R. I. 1992. Acquiring organizational legitimacy through illegitimate actions: A marriage of institutional and impression management theories. ***Academy of Management Journal***, 35: 699-738.

Elsbach, K. D., Sutton, R. I., & Principe, K. E. 1998. Averting Expected Challenges Through Anticipatory Impression Management: A Study of Hospital Billing. ***Organization Science***, 9, 1, 60-86.

Emirbayer, M., & Mische A. 1998. What is Agency? ***American Journal of Sociology***, 103, 4: 962-1023.

Etzion, D. & Ferraro, F. 2010. The Role Of Analogy In The Institutionalization Of Sustainability Reporting. ***Organization Science***, 21(5): 1092-1107.

Fiss, P. C. & Zajac, E. J. 2006. The Symbolic Management of Strategic Change. Sensegiving via Framing and Decoupling. ***Academy of Management Journal***, 49(6): 1173-1193.

Flick, U. 2009. ***An Introduction to Qualitative Research*** *(4th ed.)*. London: Sage.

Fligstein, N. & MacAdam, D. 2011. Toward a General Theory of Strategic Action Fields. ***Sociological Theory***, 29(1): 1-26.

Fligstein, N. 2001. Social Skill and the Theory of Fields. ***Sociological Theory***, 19(2): 105-125.

Freeman, J., Carroll, G. R., & Hannan, M. T. 1983. The Liability of Newness: Age Dependence in Organizational Death Rates. ***American Sociological Review***, 48(5): 692-710.

Ganz, M. 2000. Resources and Resourcefulness: Strategic Capacity in the Unionization of California Agriculture, 1959-1966. ***American Journal of Sociology***, 105, 4: 1003-1062.

Gardner, W. L., & Avolio, B. J. 1998. The Charismatic Relationship: A Dramaturgical Perspective. ***Academy of Management Review***, 23, 1: 32-58.

Gartner, W. B. 1985. A Conceptual Framework for Describing the Phenomenon of New Venture Creation. ***Academy of Management Review***, 10(4): 696-706.

Gavetti, G., Levinthal D., & Rivkin, J. 2005. Strategy-making in novel and complex worlds: The power of analogy. ***Strategic Management Journal***, 26, 691–712.

Gentner, D. & Markman, A. B. 2006. Defining structural similarity. ***The Journal of Cognitive Science***, 6, 1-20.

Gentner, D. 1983. Structure mapping: A theoretical framework for analogy. ***Cognitive Science***, 7, 155–170.

Gentner, D. 1989. The mechanisms of analogical learning. In S. Vosniadou & A. Ortony (Eds.), ***Similarity and analogical reasoning*** (pp. 199-241). London: Cambridge University Press.

Gentner, D. 1998. ***Analogy***. In W. Bechtel & G. Graham (Eds.), ***A companion to cognitive science*** (pp. 107-113). Oxford: Blackwell.

Gentner, D. 2003. Analogical reasoning, psychology of. ***In Encyclopedia of Cognitive Science*** (Vol 1, pp. 106-112). London: Nature Publishing Group.

Gentner, D., & Markman, A. B. 1997. Structure mapping in analogy and similarity. ***American Psychologist***, 52, 45-56.

Gentner, D., Bowdle, B., Wolff, P., & Boronat, C. 2001. Metaphor is like analogy. In D. Gentner, K. J. Holyoak, & B. N. Kokinov (Eds.), ***The analogical mind: Perspectives from cognitive science*** (pp. 199-253). Cambridge, MA: MIT Press.

Gergen, K. J. 1968. Personal consistency and the presentation of self. In C. Gordon & K. J. Gergen (Eds.), ***The self in social interaction*** (Vol. 1, pp. 299-308). New York: Wiley.

Gibbert, M., & Ruigrok, W. 2010. The "What" and "How" of Case Study Rigor: Three Strategies Based on Published Work. ***Organizational Research Methods***, 13: 710-737

Ginzel, L. E., Kramer, R. M., & Sutton, R. I. 1993. Organizational impression management as a reciprocal influence process: The neglected role of the organizational audience. In L. L. Cummings & B. M. Staw (Eds.), ***Research in organizational behavior***: 227-266. Greenwich, CT: JAI.

Gioia, D. A., Schultz, M., & Corley, K. G. 2000. Organizational Identity, Image, and Adaptive Instability. ***Academy of Management Review***, 25, 1, 63-81.

Glynn, M. A. 2008. Beyond Constraint: How Institutions enable Identities. In R. Greenwood, C. Oliver, R. Suddaby & K. Sahlin-Andersson (Eds.), ***Handbook of Organizational Institutionalism***. London: Sage.

Godwin, L.N., Stevens, C.E., & Brenner, N.l. 2006. Forced To Play By The Rules? Theorizing How Mixed-Sex Founding Teams Benefit Women Entrepreneurs In Male-Dominated Contexts. ***Entrepreneurship Theory and Practice***, 30(5): 623-642.

Goffman, E. 1959. ***The Presentation of Self in Everyday Life***. Garden City: Doubleday.

Goffman, E. 1967. ***Interaction Ritual***. Chicago: Aldine.

Goldberg, A. 2011. Mapping Shared Understandings using Relational Class Analysis: The Case of the Cultural Omnivore Reexamined. ***American Journal of Sociology***, 116, 5: 1397-1436.

Grady, J. 2005. Primary metaphors as inputs to conceptual integration'. ***Journal of Pragmatics*** 37: 1595–1614.

Gregoire, D. A., & Shepherd, D. A. 2012. Technology-Market Combinations and the Identification of Entrepreneurial Opportunities: An Investigation of the Opportunity-Individual Nexus. ***Academy of Management Journal***, in press.

Gregoire, D. A., Barr, P. S., & Shepherd, D. A. 2010. Cognitive Processes of Opportunity Recognition: The Role of Structural Alignment. ***Organization Science***, 21, 2: 413-431.

Hallen, B. L., & Eisenhardt, K. M. 2011. Catalyzing Strategies and Efficient Tie Formation: How Entrepreneurial Firms Obtain Investment Ties. ***Academy of Management Journal***, in press.

Hallett, T. 2010. The Myth Incarnate: Recoupling Processes, Turmoil, and Inhabited Institutions in an Urban Elementary School. ***American Sociological Review***, 75(1): 52-74.

Hannan, M. T., & Freeman, J. 1989. ***Organizational ecology***. Boston: Harvard University Press.

Hargadon, A.B., & Douglas, Y. 2001. When innovations meet institutions: Edison and the design of the electric light. ***Administrative Science Quarterly***, 46(3): 476-501.

Hiatt, S. R., Sine, W. D., & Tolbert, P.S. 2009. From Pabst to Pepsi: The Deinstitutionalization of Social Practices and the Creation of Entrepreneurial Opportunities. ***Administrative Science Quarterly***, 54(4): 635-667.

Higgins, M.C. & Gulati, R. 2003. Getting Off To A Good Start: The Effects Of Upper Echelon Affiliations On Underwriter Prestige. ***Organization Science***, 14(3): 244-263.

Higgins, M.C. & Gulati, R. 2006. Stacking The Deck: The Effects Of Top Management Backgrounds On Investor Decisions. ***Strategic Management Journal***, 27(1): 1-25.

Holyoak, K. J. 1985. The pragmatics of analogical transfer. G. H. Bower, ed. ***The Psychology of Learning and Motivation***. Academic Press, New York, 59–87.

Holyoak, K. J. 2005. Analogy. In: Holyoak, K. J, & Morrison, R. G. eds. ***The Cambridge Handbook of Thinking and Reasoning***. Cambridge, UK: Cambridge University Press.

Holyoak, K. J., & Thagard, P. 1989. Analogical mapping by constraint satisfaction. ***Cognitive Science***, 1 3, 295–355.

Holyoak, K. J., & Thagard, P. 1997. The Analogical Mind. ***American Psychologist***, 52, 1, 35-44.

Howard-Grenville, J. 2007. Developing Issue-Selling Effectiveness over Time: Issue Selling as Resourcing. ***Organization Science***, 18(4): 560-577.

Ibarra, H., & Barbulescu, R. 2010. Identity as narrative: Prevalence, effectiveness, and consequences of narrative identity work in macro work role transitions. ***Academy of Management Review***, 35: 135–154.

Johnson, C., Dowd, T. J, & Ridgeway, C. L 2006. Legitimacy as a social process. ***Annual Review of Sociology,*** 32: 53-78.

Johnson, S., Greve, H. R., & Fujiwara-Greve, T. 2009. Undeserved Loss: The Spread of Legitimacy Loss to Innocent Organizations in Response to Reported Corporate Deviance. ***Administrative Science Quarterly***, 54: 195-228.

Johnson, V. 2007. What Is Organizational Imprinting? Cultural Entrepreneurship In The Founding Of The Paris Opera. ***American Journal of Sociology***, 113(1): 97-127.

Karlsson, T. & Honig, B. 2009) Judging A Business By Its Cover: An Institutional Perspective On New Ventures And The Business Plan. ***Journal of Business Venturing***, 24(1): 27-45.

Katila, R., Rosenberger, J. D., & Eisenhardt, K. M. 2008. Swimming with Sharks: Technology Ventures, Defense Mechanisms and Corporate Relationships. ***Administrative Science Quarterly***, 53: 295-332.

Ketokivi, M., & S. Mantere. 2010. Two Strategies for Inductive Reasoning in Organizational Research. ***Academy of Management Review***, 35(2): 315-333.

Khaire, M. 2010. Young And No Money? Never Mind: The Material Impact Of Social Resources On New Venture Growth. ***Organization Science***, 21(1): 168-185.

King, B. G.; Clemens, E. S., & Fry, M. 2011. Identity Realization And Organizational Forms: Differentiation And Consolidation Of Identities Among Arizona's Charter Schools. ***Organization Science***, 22(3): 554-572.

Kirsch, D., Goldfarb, B., & Gera, A. 2009. Form or Substance: The Role of Business Plans in Venture Capital Decision Making. ***Strategic Management Journal***, 30: 487-515.

Kostova, T., & Zaheer, S, 1999, Organizational legitimacy under conditions of complexity: The case of the multinational enterprise, ***Academy of Management Review***, 24: 64-81.

Lamertz, K., Heugens, P. P. M. A. R., Calmet, L. 2005. The Configuration of Organizational Images Among Firms in the Canadian Beer Brewing Industry. ***Journal of Management Studies***, 42, 4: 817-843.

Langley, A. 1999. Strategies for Theorizing from Process Data. ***Academy of Management Review,*** 24(4): 691-710.

Langley, A. 2007. Process thinking in strategic organization. ***Strategic Organization***, 5(3): 271-82.

Lave, J., & Wenger, E. 1991. ***Situated Learning: Legitimate Peripheral Participation***. New York: Cambridge University Press

Leary, M., & R. Kowalski. 1990. Impression Management: A Literature Review and a Two-Component Model, ***Psychological Bulletin***, 107 (1): 34–47.

Leblebici, H., Salancik, G. R., Copay, A., & King, T. 1991. Institutional Change and the Transformation of Interorganizational Fields: An Organizational History of the U.S. Radio Broadcasting Industry. ***Administrative Science Quarterly***, 36, 3: 333-363.

Lee, T. W., Mitchell, T. R., Sablynski, C. J. 1999. Qualitative Research in Organizational and Vocational Psychology, 1979-1999. ***Journal of Vocational Behavior***, 55: 161-187.

Leonardi, P. M. 2011. Innovation Blindness: Culture, Frames, and Cross-Boundary Problem Construction in the Development of New Technology Concepts. ***Organization Science***, 1-23.

Levitt, B, & March, J. G. 1988. Organizational learning. ***Annual Review of Sociology***, 14: 319-340.

Lincoln, Y., & Guba, E. 1985. ***Naturalistic Inquiry***. Beverly Hills, CA: Sage.

Loewenstein, J., & Gentner. D. 2005. Relational language and the development of relational mapping. ***Cognitive Psychology***, 50: 315–353.

Lounsbury, M. & Glynn, M.A. 2001. Cultural Entrepreneurship: Stories, Legitimacy, And The Acquisition Of Resources. ***Strategic Management Journal***, 22(6-7): 545-564.

MacLean, T. L. & Behnam, M. 2010. The Dangers of Decoupling: The Relationship between compliance programs, legitimacy, and institutionalized misconduct. ***Academy of Management Journal***, 53(6): 1499-1520.

Mair, J. & Marti, I. 2009) Entrepreneurship In And Around Institutional Voids: A Case Study From Bangladesh. ***Journal of Business Venturing***, 24(5): 419-435.

Manigart, S. 1994. The Founding Rate Of Venture Capital Firms In 3 European Countries (1970-1990. ***Journal of Business Venturing***, 9(6): 525-541.

March, J. G. & Olsen, J. P. 1984. The New Institutionalism: Organizational Factors in Political Life. ***American Political Science Review***, 78: 734-749.

Martens, M.l., Jennings, J.E., &; Jennings, P.D. 2007) Do The Stories They Tell Get Them The Money They Need? The Role Of Entrepreneurial Narratives In Resource Acquisition. ***Academy of Management Journal***, 50(5): 1107-1132.

McKendrick, D.G., & Carroll, G.R. 2001. On the genesis of organizational forms: Evidence from the market for disk arrays. ***Organization Science***, 12(6): 661-682.

McMullen, J. S., & D. A. Shepherd. 2006. Entrepreneurial action and the role of uncertainty in the theory of the entrepreneur. ***Academy of Management Review*** , 31(1): 132–152.

Meyer, J. W., & Rowan, B. 1977. Institutionalized Organizations: Formal Structure as Myth and Ceremony. ***American Journal of Sociology*** 83:340–63.

Meyer, J. W., & Scott, R. W. 1983. Centralization and the legitimacy problems of local government. In J. W. Meyer & R.W. Scott (Eds.), ***Organizational environments: Ritual and rationality***: 199–215. Beverly Hills, CA: Sage.

Meyer, R. E., Hoellerer, M. A. 2010. Meaning Structures in a Contested Issue Field: A Topographic map of Shareholder Value in Austria. ***Academy of Management Journal***, 53(6): 1241-1262.

Miles, M. B. & Huberman, A. M. 1984. Drawing Valid Meaning from Qualitative Data: Toward a Shared Craft. ***Educational Researcher***, 13, 5: 20-30.

Miles, M. B. & Huberman, A. M. 1994. ***Qualitative Data Analysis: An Expanded Sourcebook***. Thousand Oaks, CA: Sage.

Miller, C. C., Cardinal, L. B., & Glick, W. H. 1997. Retrospective reports in organizational research: A reexamination of recent evidence. ***Academy of Management Journal***, 40: 189.

Mitchell, R. K., Agle, B. R., & Wood, D. J. 1997. Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. ***Academy of Management Review***, 22: 853–886.

Molinsky, A. 2007. Cross-Cultural Code-Switching: The Psychological Challenges of Adapting Behavior in Foreign Cultural Interactions. ***Academy of Management Review***, 32, 2: 622-640.

Molinsky, A. 2013. The Psychological Process of Cultural Retooling. ***Academy of Management Journal***, in press.

Nasra, R, & Dacin, M. T. 2010. Institutional Arrangements And International Entrepreneurship: The State As Institutional Entrepreneur. ***Entrepreneurship Theory and Practice***, 34(3): 583-609.

Navis, C. & Glynn, M. A. 2010. How New Market Categories Emerge: Temporal Dynamics Of Legitimacy, Identity, And Entrepreneurship In Satellite Radio, 1990-2005. ***Administrative Science Quarterly***, 55(3): 439-471.

Navis, C. & Glynn, M. A. 2011. Legitimate Distinctiveness And The Entrepreneurial Identity: Influence On Investor Judgments Of New Venture Plausibility. ***Academy of Management Review***, 36(3): 479-499.

Oliver, C. 1991. Strategic responses to institutional processes. ***Academy of Management Review,*** 16: 145–179.

Oliver, C., & I. Holzinger. 2008. The Effectiveness of Strategic Political Management: A Dynamic Capabilities Framework. ***Academy of Management Review***, 33(2): 496-520.

Orlikowski, W. J., & Yates, J. 1994. Genre Repertoire: The Structuring of Communicative Practices in Organizations. ***Administrative Science Quarterly***, 39, 4: 541-574.

Ozcan, P., & Eisenhardt, K. M. 2009. Origin of Alliance Portfolios: Entrepreneurs, Network Strategies, and Firm Performance. ***Academy of Management Journal***, 52, 2: 246-279.

Pache, A. C., & Santos, F. 2010. When Worlds Collide: The Internal Dynamics of Organizational Responses to Conflicting Institutional Demands. ***Academy of Management Review***, 35(3): 455-476.

Packalen, K.A. 2007. Complementing Capital: The Role Of Status, Demographic Features, And Social Capital In Founding Teams' Abilities To Obtain Resources. ***Entrepreneurship Theory and Practice***, 31(6): 873-891.

Padgett, J. F. & Ansell, C. K. 1996. Robust Action and the Rise of the Medici, 1400-1434. ***American Journal of Sociology***, 98(6): 1259-1319.

Patton, M.Q. 1990: ***Qualitative evaluation and research methods, second edition***. Sage.

Pentland, B. T. 1999. Building Process Theory with Narrative: From Description to Explanation. ***Academy of Management Review***, 24, 4: 711-724.

Petersen, T. & Koput, K.W. 1991. Density Dependence In Organizational Mortality - Legitimacy Or Unobserved Heterogeneity. ***American Sociological Review***, 56(3): 399-409.

Pettigrew, A. M. 1990. Longitudinal Field Research on change: Theory and Practice. ***Organization Science,*** 1(3): 267-292.

Pfeffer, J. 1981. Management as symbolic action: The creation and maintenance of organizational paradigms. In L. L. Cummings & B. M. Staw (Eds.), ***Research in organizational behavior***, vol. 13: 1-52. Greenwich, CT: JAI Press.

Pfeffer, J., & Salancik, G. R. 1978. ***The external control of organizations: A resource dependence perspective***. New York: Harper & Row.

Phillips, N., Tracey, P, & Karra. T. 2009. Rethinking Institutional Distance: Strengthening the Tie between New Institutional Theory and International Management, ***Strategic Organization***, 7: 339-348.

Plowman, D. A., Beck, T. E., Kulkarni, M., Solansky, S. T., & Travis, D. V. 2007. Radical Change Accidentally: The Emergence and Amplification of Small Change. ***Academy of Management Journal,*** 50, 3: 515-543.

Pollock, T.G. & Rindova, V.P. 2003. Media Legitimation Effects in the Market for Initial Public Offerings. ***Academy of Management Journal***, 46(5): 631-642.

Pontikes, E. G. 2012. Two Sides of the Same Coin: How Ambiguous Classification Affects Multiple Audiences' Evaluations. ***Administrative Science Quarterly***, 57(1): in press.

Porac, J. F., Wade, J. B., & Pollock, T. G. 1999. Industry Categories and the Politics of the Comparable Firm in CEO Compensation. ***Administrative Science Quarterly***, 44, 1: 112-144.

Rao, H. 1994. The Social Construction Of Reputation - Certification Contests, Legitimation, And The Survival Of Organizations In The American Automobile-Industry - 1895-1912. ***Strategic Management Journal***, 15(SI): 29-44.

Rao, H. 2004. Institutional Activism In The Early American Automobile Industry. ***Journal of Business Venturing***, 19(3): 359-384.

Rindova, V. P., & Petkova, A. P. 2007. When Is a New Thing a Good Thing? Technological Change, Product Form Design and Perceptions of Value for Product Innovations. ***Organization Science***, 18, 2: 217-232.

Rindova, V., Barry, D., & Ketchen, D. 2009. Entrepreneuring as emancipation. ***Academy of Management Review***, 34 (3): 477- 491.

Romanelli, E. 1989. Environments and Strategies of Organization Start-up: Effects on Early Survival. ***Administrative Science Quarterly***, 34(3): 369-387.

Ruef, M., & Scott, W. R. 1998. A multidimensional model of organizational legitimacy: Hospital survival in changing institutional environments. ***Administrative Science Quarterly***, 43: 877–904.

Rutherford, M. W., Buller, P. F., & Stebbins, J.M. 2009. Ethical Considerations Of The Legitimacy Lie. ***Entrepreneurship Theory and Practice***, 33(4): 949-964.

Sackman, S. A. 1992. Culture and Subcultures: An Analysis of Organizational Knowledge. ***Administrative Science Quarterly***, 37, 1: 140-161.

Santos, F. M. & Eisenhardt, K. M. 2009. Constructing Markets and Shaping Boundaries: Entrepreneurial Power in Nascent Fields. ***Academy of Management Journal***, 52(4): 643-671.

Sauder, M., Lynn, F. B., & Podolny, J. M. 2012. Status: Insights from Organizational Sociology. ***Annual Review of Sociology***, in press.

Scott, W. R. 2007. ***Institutions and Organizations: Ideas and Interests (5th edition).*** Sage: Thousand Oaks.

Selznick, P. 1948. Foundations of the Theory of Organization. ***American Sociological Review***, 13(1): 25-35.

Sewell, W. H. J. 1992. A theory of structure: Duality, agency, and transformation. ***American Journal of Sociology***. 98(1) 1–29.

Shane, S. & Foo, M.D. 1999. New firm survival: Institutional explanations for new franchisor mortality. ***Management Science,*** 45(2): 142-159.

Shane, S., & Stuart, T. 2002. Organizational Endowments and the Performance of University Start-Ups. ***Management Science***, 48(1): 154-170.

Shenkar, O., Luo, Y., & Yeheskel, O. 2008. From “Distance” to “Friction”: Substituting Metaphors and Redirecting Intercultural Research. ***Academy of Management Review***, 33(4): 905-923.

Sine, W.D., David, R.J., Mitsuhashi, H. 2007. From Plan To Plant: Effects Of Certification On Operational Start-Up In The Emergent Independent Power Sector. ***Organization Science,*** 18(4): 578-594.

Sine, W.D., Haveman, H.A., & Tolbert, P.S. 2005. Risky Business? Entrepreneurship In The New Independent-Power Sector. ***Administrative Science Quarterly***, 50(2): 200-232.

Singh, J.V., Tucker, D.J., & House, R.J. 1986. Organizational Legitimacy And The Liability Of Newness. ***Administrative Science Quarterly***, 31(2): 171-193.

Smets, M. Morris, T., & Greenwood, R. 2012. From practice to Field: A Multi-level Model of Practice-driven Institutional Change. ***Academy of Management Journal***, in press.

Sonenshein, S. 2006. Crafting Social Issues at work. ***Academy of Management Journal***, 49(6): 1158-1172.

Stake, R. E. 1995. ***The art of case study research***. Thousand Oaks, CA: Sage.

Starr, J.A. & MacMillan; I.C. 1990. Resource Cooptation Via Social Contracting: Resource Acquisition Strategies For New Ventures. ***Strategic Management Journal***, 11(SI):79-92.

Staw, B. M., McKechnie, P. I., & Puffer, S. M. 1983. The Justification of Organizational Performance. ***Administrative Science Quarterly***, 28: 582-600.

Stinchcombe, A. L. 1965. Social structure and organizations. In J. G. March, (Ed.), ***Handbook of organizations***: 142-193. Chicago: Rand McNally.

Stone, M.M. & Brush, C.G. 1996. Planning In Ambiguous Contexts: The Dilemma Of Meeting Needs For Commitment And Demands For Legitimacy. ***Strategic Management Journal***, 17(8): 633-652.

Strauss, A., & J. Corbin. 1998. ***Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory***, 2d ed. Thousand Oaks, CA: Sage.

Stuart, T. E., Hoang, H., & Hybels, C. 1999. Interorganizational Endorsements and the Performance of Entrepreneurial Ventures. ***Administrative Science Quarterly***, 44(2): 315-349.

Suchman, M. C. 1995. Managing legitimacy: Strategic and institutional approaches. ***Academy of Management Review***, 20: 571-610.

Suddaby, R., & Greenwood, R. 2005. Rhetorical strategies of legitimacy ***Administrative Science Quarterly***, 50: 35–68.

Swidler, A. 1986. Culture in Action: Symbols and Strategies. ***American Sociological Review***, 51: 273–286.

Thornton, P. H., Ocasio, W., & Lounsbury, M. 2012. ***The Institutional Logics Perspective. A New Approach to Culture, Structure, and Process.*** Oxford: Oxford University Press.

Tilcsik, A. 2010. From Ritual to Reality: Demography, Ideology, And Decoupling in a Post-Communist Government Agency. ***Academy of Management Journal***, 53(6): 1474-1498.

Tolbert, P. S., David, R. J., Sine, W. D. 2011. Studying Choice and Change: The Intersection of Institutional Theory and Entrepreneurship Research. ***Organization Science***, 22(5): 1332-1344.

Tornikoski, E.T, Newbert, S.I. 2007. Exploring The Determinants Of Organizational Emergence: A Legitimacy Perspective. ***Journal of Business Venturing***, 22(2): 311-335.

Tost, L. P. 2011. An Integrative Model of Legitimacy Judgments. ***Academy of Management Review***, 36(4):686-710.

Townsend, D.M. & Hart, T.A. 2008. Perceived Institutional Ambiguity And The Choice Of Organizational Form In Social Entrepreneurial Ventures. ***Entrepreneurship Theory and Practice***, 32(4): 685-700.

Tsoukas, H. 1991. The Missing Link: A Transformational View of Metaphors in Organizational Science. ***Academy of Management Review***, 16(3): 566-585.

Tsoukas, H. 2009. A Dialogical Approach to the Creation of New Knowledge in Organizations. ***Organization Science***, 1-17.

Tylor, T. R. 2006. Psychological Perspectives on Legitimacy and Legitimation. ***Annual Review of Psychology***, 57: 375-400.

Vaara, E. & Monin, P. 2010. A Recursive Perspective on Discursive Legitimation and Organizational Action in Mergers and Acquisitions. ***Organization Science***, 21: 3-22.

Vaara, E., & Tienari, J. 2011. On the Narrative Construction of Multinational Corporations: An Antenarrative Analysis of Legitimation and Resistance in a Cross-Border Merger. ***Organization Science***, 22:370-390.

Van Mannen, J. 1979. The fact of fiction in organizational ethnography. ***Administrative Science Quarterly***, 24: 539–550.

Vissa, B. 2011. A Matching Theory of Entrepreneurs' Tie Formation Intentions and Initiation of Economic Exchange, ***Academy of Management Journal***, 54(1): 137-158.

Vissa, B. 2012. Agency in action: Entrepreneurs' networking style and initiation of economic change. ***Organization Science***, in press

Weber, K. 2005. A toolkit for analyzing corporate cultural toolkits. ***Poetics***, 33: 227-252.

Weber, K. 2011. Organizational Fields and Corporate Cultural Repertoires. Working Paper: Northwestern University, Evanston.

Weber, K., & Dacin, M. T. 2011. The Cultural Construction of Organizational Life: Introduction to the Special Issue. ***Organization Science***, 1-12.

Weber, K., Heinze, K.L., & Desoucey, M. 2008. Forage For Thought: Mobilizing Codes In The Movement For Grass-Fed Meat And Dairy Products. ***Administrative Science Quarterly***, 53(3): 529-567.

Weber, M. 1947. ***The Theory of Social and Economic Organization***. The Free Press, New York.

Westphal, J. D., & Graebner, M. E. 2010. A Matter of Appearances: How Corporate Leaders Manage the Impressions of Financial Analysts about the Conduct of their Boards. ***Academy of Management Journal***, 53(1): 15-43.

Westphal, J. D., & Zajac, E. J. 1994. Substance and symbolism in CEOs' long-term incentive plans. ***Administrative Science Quarterly***, 39: 367-390.

Westphal, J. D., & Zajac, E. J. 1998. The Symbolic Management of Stockholders: Corporate Governance Reforms and Shareholder Reactions. ***Administrative Science Quarterly***, 43(1): 127-153.

White, H. C. 2008. ***Identity and Control: How Social Formations Emerge (2nd edition).*** Princeton University Press.

Wiewel, W., & Hunter, A. 1985. The Interorganizational Network as a Resource: A Comparative Study on Organizational Genesis. ***Administrative Science Quarterly***, 30(4): 482-496.

Wiklund, J., Baker, T., & Shepherd, D. 2010. The Age-Effect Of Financial Indicators As Buffers Against The Liability Of Newness. ***Journal of Business Venturing***, 25(4): 423-437.

Woolley, J.l. & Rottner, R. M. 2009. Innovation Policy And Nanotechnology Entrepreneurship. ***Entrepreneurship Theory and Practice***, 32(5): 791-811.

Wry, T., Lounsbury, M., & Glynn, M. A. 2011. Legitimating Nascent Collective Identities: Coordinating Cultural Entrepreneurship. ***Organization Science***, 22(2): 449-463.

Yu, N. 2011. A Decompositional Approach to Metaphorical Compound Analysis: The Case of a TV Commercial. ***Metaphor and Symbol***, 26: 243-259.

Zajac, E. J., & Westphal, J. D. 1995. Accounting for the explanations of CEO compensation: Substance and symbolism. ***Administrative Science Quarterly,*** 40: 283-308.

Zimmerman, M.A. & Zeitz, G.J. 2002. Beyond Survival: Achieving New Venture Growth By Building Legitimacy. ***Academy of Management Review***, 27(3): 414-431.

Zott, C. & Huy, Q.N. 2007. How Entrepreneurs Use Symbolic Management To Acquire Resources. ***Administrative Science Quarterly***, 52(1): 70-105.

Zucker, L. G. 1977. The Role of Institutionalization in Cultural Persistence. ***American Sociological Review,*** 42, 5: 726-743.

Zuckerman, E. W. 1999. The Categorical Imperative: Securities Analysts and the Illegitimacy Discount. ***American Journal of Sociology***, 104(5): 1398-1438.

Zuckerman, E. W. 2012. Construction, Concentration, and (Dis)Continuities in Social Valuations. ***Annual Review of Sociology***, in press.

Zuckerman, E. W., Kim, T. Y., Ukanwa, K., & von Rittman, J. 2003. Robust Identities or Nonentities? Typecasting in the Feature-Film Labor Market. ***American Journal of Sociology***, 108(5): 1018-1074.

CURRICULUM VITAE

DATE AND PLACE OF BIRTH

30 October, 1981 in Salzburg, Austria

EDUCATION

2008-2012	Doctoral Studies (Ph.D. in Management), University of St. Gallen (HSG), St. Gallen/Switzerland
2002-2008	Diploma studies in Social and Economic Sciences (Mag. rer. soc. oec.), University of Innsbruck, Innsbruck/Austria
2005-2006	Exchange studies, Trinity College Dublin, Dublin/Ireland
2005	Exchange studies, National Chengchi University, Taipei/Taiwan
2001	School leaving examination (Matura), Handelsakademie I, Salzburg/Austria

PROFESSIONAL EXPERIENCE

2008-	Research Associate, Prof. Claus Jacobs, Ph.D., Institute of Management (IFB), University of St. Gallen (HSG), St. Gallen/Switzerland
2007-2008	Teaching Assistant, Prof. Dr. Dr. h.c. Ekkehard Kappler, Institute of Organization and Learning (IOL), University of Innsbruck, Innsbruck/Austria
2007	Internship, Roland Berger Strategy Consultants, Munich/Germany and Prague/Czech Republic
2006	Internship, BMW Group, Munich/Germany
2005	Internship, Acer Computers, Taipei/Taiwan
2004	Internship, DPD Logistics, Salzburg/Austria
2003	Internship, University Hospital Salzburg, Austria