

Strategies for Creating Nascent Venture Legitimacy

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Abstract

Objectives This paper aims to develop an empirically based understanding of legitimacy building in nascent venture creation processes. We illuminate legitimacy building strategies available to new ventures, and their consequences, clarifying distinct characteristics of legitimacy building in the stage of nascent venture creation.

Prior Work Established organizations continuously need to defend and manage their legitimacy in order to be judged as desirable and necessary (Suchman 1995). In lacking legitimacy as an established organization, new ventures are heavily subjected to liabilities of newness (Stinchcombe 1965). New ventures often engage in legitimacy-building strategies to overcome this liability, utilizing two main approaches. Numerous articles have addressed the importance of human capital and social capital to the new venture (e.g. Davidsson and Honig 2003), while much less is known regarding how legitimacy is built as the organization emerges.

Approach A multiple case, real-time, longitudinal, in-depth study. 12 participants provided 189 journal entries (2009-2010). Self-reported learning journals were submitted weekly by entrepreneurs. The data provided an opportunity to look at legitimacy building processes in nascent entrepreneurial phases of venturing.

Results The results of this study indicate a dominance of pragmatically related strategies over moral and cognitive ones, as well as surprising malleability with respect to moral strategies (Basu and Palazzo 2008; Suchman 1995).

Implications This study suggests that relative newness of organizational technology leads to increasing focus on conformity strategies to gain legitimacy. Relatively more mundane technologies enabled (the case napkin ads) successful engagement of more manipulative strategies. This supports findings from Ashforth and Gibbs (1990).

We also found that our young cases were strongly engaged in moral selection strategies in terms of goal formulation. The focus of the moral selection strategy of the nascent ventures in this study is not based on the organization “as is” (Suchman 1995) but rather on what organization the management team would like to create, and/or what they believe is feasible for it to become.

Value This paper suggests that managers could more consciously devise strategies on how to deal with institutions. In terms of policy implications, this paper suggests avenues for policy makers to influence new organizations. The data indicates the primacy of pragmatic strategies over moral and cognitive. Policy could follow this indication, creating pragmatic incentives for new ventures.

1. Introduction

Conceptualizations of entrepreneurship have traditionally taken two forms. One form sees entrepreneurship as an act of an individual (entrepreneur) with a novel idea and strong personal characteristics to create a successful business (McClelland 1961; Shane and Nicolaou 2014). Such descriptions build from post hoc investigation of successful entrepreneurs. The other form originates from economics, and focuses particularly on which economic functions are conducive to entrepreneurship (Baumol 1993; Schumpeter and Opie 1934). Combining these two conceptualizations, Shane and Venkataraman (2000) argue for entrepreneurship seen as the study of the sources of entrepreneurial opportunities as well as who, why and how individuals pursue these opportunities. We explore the individual-opportunity interaction as nascent entrepreneurs pursue opportunities in interaction with their environment, specifically focusing on how legitimacy is gained in the nascent phase of venture creation (Delmar and Shane 2003).

Established organizations continuously need to defend and manage their legitimacy in order to be judged as desirable and necessary (Suchman 1995). As nascent ventures have no established legitimacy to defend and manage, they are rather chiefly engaged in attempting to build legitimacy. Strategies for legitimacy construction of new ventures range from conforming to rebelling and innovating (Oliver 1991; Suchman 1995; Zimmerman and Zeitz 2002). In lacking legitimacy as an established organization, new ventures are heavily subjected to liabilities of newness (Stinchcombe 1965).

One approach is to build legitimacy as an organization, and the other is through transfer of the personal legitimacy of owners and managers to the new organization. Larson and Starr (1993) described the importance of established social networks especially in the beginning stages of an entrepreneurial venture. While numerous articles have addressed the importance of human capital and social capital to a new venture (e.g. Davidsson and Honig 2003), much less is known regarding how legitimacy is built as the organization emerges. That said, new ventures are understood as essentially constructing legitimacy in the same way as established organizations, i.e. through conforming to moral, pragmatic and cognitive types of legitimacy (Aldrich and Ruef 2006; Drori and Honig 2013; Suchman 1995; Zimmerman and Zeitz 2002).

Due to their liabilities of newness, there is an added need for new ventures to create trust when in a situation with no prior track record. This has lead researchers to more carefully look into the role of symbolic strategies for gaining legitimacy, by the use of e.g. narratives or metaphorical reasoning (Cornelissen and Clarke 2010; Drori and Honig 2013; Landau et al. 2014; Lounsbury and Glynn 2001; Williams Middleton 2013; Zott and Huy 2007). Given the theoretical importance of overcoming liabilities of newness in the early stages of venture creation, there are few empirical investigations into how nascent ventures gain legitimacy. We aim to develop an empirically based understanding of legitimacy building in venture creation processes, by illuminating legitimacy building strategies available to nascent ventures, and their consequences.

2. Frame of reference

The study of legitimacy encompasses how legitimacy is built, maintained, and repaired if lost (Suchman 1995). We focus specifically on how legitimacy is built in nascent ventures. Nascent ventures are ventures in the process of emergence, such that they are not yet established organizations (Davidsson 2006), and their founders are often engaging in a venture creation process for the first time. Thus, focus on legitimacy building becomes natural, as nascent ventures have little, if any, legitimacy to maintain and lose. When engaging in an organizational formation process, new ventures must gain initial acceptance for their organization among different stakeholders; a circumstance which established organizations already enjoy.

New ventures can have liabilities of newness in at least two dimensions. First, they may have an invention that needs to gain acceptance in the market. Engaging in creating a new market around a new technology is problematic from an institutional perspective as the new venture then needs to engage in both legitimizing the technology and the organization at the same time (Aldrich and Fiol 1994). This coincides then with new ventures normally being exceptionally resource constrained. This can leave new ventures desperately searching for significant and rare external financing, placing them with significant liabilities of newness (Freeman et al. 1983; Stinchcombe 1965).

Specific liabilities of newness suggests that new ventures are at a disadvantage relative to incumbents, as the new venture needs to establish trust and functional exchange with a number of actors, such as suppliers, new employees and customers. In the case of an established product/industry, the new venture needs to develop an efficient production/transformational process, allowing it to be competitive in relation to rivals. In the case of new technology, the new venture also needs to cope with costs of technology development and communicating the necessity of the new product or service (Aldrich and Fiol 1994; Cornelissen and Clarke 2010; Starr and MacMillan 1990).

Given the importance of legitimacy building at the venture creation stage, scholarship has generally overlooked how legitimacy develops within new ventures (Drori and Honig 2013). Literature essentially distinguishes between three different types of legitimacy, which Suchman (1995) categorizes as pragmatic, moral, and cognitive. These types of legitimacy roughly relate to the main pillars of institutional theory (Scott 2008) and the isomorphic pressures creating conformity among organizations (DiMaggio and Powell 1983). It is worth noting that there is a strong link between conformity and legitimacy, in that legitimacy is often rewarded to those who conform to institutional pressures.

“(L)egitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Suchman 1995, p. 574). Thus acting in line with those assumptions or perceptions is a natural strategy to pursue in order to gain legitimacy. Further, some institutional pressures can be so strong and taken for granted, that not conforming to them is unthinkable to most actors.

We will just briefly define the three different types of legitimacy (summarized in Table 1): pragmatic, moral and cognitive (Suchman 1995), as they are well described by the previously stated references, and then add to this description of additional strategies for dealing with institutional pressures.

Table 1. Legitimacy definitions

Concept	Definition	Conceptual example
<i>Pragmatic</i>	Legitimacy gained from the self-interest of an organization’s immediate audience	Extraordinary product performance, cost savings, risk reduction, problem solving
<i>Moral</i>	Legitimacy gained from perceptions of right, just and correct procedures and certifications, and characters of leaders	Correct sequencing of actions, adhering to business norms e.g. business planning, visions, business models
<i>Cognitive</i>	Legitimacy gained from tacit mimicry of the environment, by acting as expected and in taken-for-granted manners	Degree of cultural closeness, comprehensibility, communicative ability

2.1 Pragmatic legitimacy is granted based on the self-interest of organizational stakeholders. This type of legitimacy is quite important for new ventures, as it does not necessarily rely on convention, but rather self-interested calculations. It is about providing what stakeholders need. This could be some product or service, or some symbolic currency (e.g. being charitable, environmental friendly, or supportive of new ventures).

2.2 Moral legitimacy is based on judgment of whether an activity is “the right thing to do”. Is the business plan well written, and according to the newest book on the topic? Is the business model written according to publicly acknowledged literature, and is it providing to a cause beyond financial gain? Is this person likeable, share my values and perspectives?

2.3 Cognitive legitimacy is perhaps the most influential, but also the most difficult to define. This type of legitimacy is commonly referred to as “taken for grantedness”. Taken for grantedness refers to situations where alternatives are virtually unthinkable. As they are unthinkable, it is impossible to provide an example, but the existence of internet, and cost free air is difficult to think away. An aspect of cognitive legitimacy that is easier to analyze is comprehensibility. Is it possible to understand what

the new business is about? Cornelissen and Clarke (2010) suggested for example, that the more understandable (by means of metaphor and analogy) a new business can be about its radical innovation, the more legitimate it would become.

Individuals utilize these different types of legitimacy to impact their surroundings, requiring human agency and taking strategic action towards that which they are attempting to build or change.

2.4 Agentic strategy

In the influential article by DiMaggio and Powell (1983), institutional theory was conceptualized as a structural, almost inescapable iron cage of isomorphic force. Attention to agentic strategies in relation to institutional pressures becomes paradoxical and contradictory in the light of structurally determined versions of institutional theory. However, institutional pressures exerted on organizations are rarely complete. There is limited enforcing of institutional rules and norms, and there is a time lag between inconsistency with institutional pressures and enforcement. Different institutional pressures are exerted, and these are sometimes conflicting. E.g. owners want maximal profits, while the state wants tax revenue. Different industries have different norms and rules, and new ventures can tailor their business model in such way that they can escape e.g. the rules of FDA, by implementing the technology as a consultancy business or as a medical technology. These gaps in isomorphic forces, paradoxes and multiplicity make strategies quite possible. We have chosen to focus on the three broad types of strategies suggested by Suchman (1995); conform, select and manipulate (see Table 2).

Table 2. Legitimacy Strategies

Concept	Definition	Conceptual example
<i>Conform</i>	Conform is actions taken by a firm to comply and acquiesce to institutional pressures	Behaviors, plans, and talks taken to conform to the institutional pressure to write business plans will be coded here. Copying role models, adopting behavior according to business planning literature and compliance because of rules.
<i>Select</i>	Selection encompass strategies to reduce the extent to which conformity is necessary, either by selecting partial compliance or symbolic compliance, or selecting an industry that have matching institutional pressures	Renegotiation, change of industry, concealing
<i>Manipulate</i>	Manipulation is an active response where change of the institution, or organization is actively trying to alter the environment	Open dissent, converting constituents, evangelizing, lobbying

Institutional theory explicitly emphasizes conformity over other ways of gaining legitimacy (DiMaggio and Powell 1983). New firms are often advised to utilize conforming strategies in order to overcome liabilities of newness (Aldrich and Fiol 1994; Stinchcombe 1965). Selection strategies often involve adhering to institutional pressures but exerting agency on which ones to adapt to; for example by selecting what customer segment to target, which industry to act in, or to please the owners at the expense of adhering to tax law. Selection can also involve suppressing non-conformity, by symbolic conformity, or simply by not informing others of what the organization really does. Manipulation is a strategy that aims to change and challenge the institutional pressures. As institutions are cultural and societally related functions, manipulative strategies normally take time and significant resources in order to have any impact. Due to resource constraints, manipulation strategies are expected to be less

commonplace among new ventures, albeit examples do exist (see the Pirate Bay example in Palmås and Von Busch 2006).

3. Approach

The study applies multiple-case, real-time, longitudinal, qualitative methodology. The current data analysis addresses a portion of cases (four of twelve), involving twelve participants and 189 diary entries, as the analytical work is still in progress.

3.1 Case descriptions

A complete description of the four cases utilized in the current analysis, is presented in Appendix A. The four cases that are selected for the current analysis represent the more complex (multiple members) and robust (frequency and depth of diary entries) examples from the 2009-2010 cohort. The selected cases are also representative of the cultural diversity of the entire cohort, and include 3 female and 9 male participants.

Research based on diaries is still fairly uncommon in management and organization research (Ohly et al. 2010), but relatively more common in health and medical research (Bolger et al. 2003; Stone and Shiffman 2002). Diaries offer frequent and current information of daily or weekly events and experiences of people. As such, diaries are able to capture changing decisions, perceptions and opinions over time and events in ways that are not possible when using for example cross sectional designs (Bolger et al. 2003), and patterns from diary-observations likely differ significantly from studies that take longer time intervals (Zaheer et al. 1999). Although entrepreneurial endeavors are inherently unpredictable and uncertain, retrospective stories of successful entrepreneurs abound in which the entrepreneur's agency is heroic and looks pretty easy in hindsight. Diaries also overcome or reduce this risk of retrospective and success bias, both of which are major concerns when studying entrepreneurs (Bird et al. 2012).

During the 20 weeks of the venturing program the prospective entrepreneurs engaged in venture creation activities and they had the task of writing a weekly diary. This activity was introduced before the 20 week period commenced, and submitting it was voluntary but encouraged, rather than compulsory. Each diary entry was submitted weekly, by email, to the manager of the training program. The guidelines prescribed that each entrepreneur reported what they did during the week, with whom they met, why they did what they did and overall reflections of what they learned during the week. The original purpose of the diary was for the participants to be able to reflect on their behavior and develop their ability to monitor and adjust their behavior and improve their meta cognitive skills (Haynie et al. 2010). This means that the data have the nature of secondary data. This improves the quality of the data by reducing the risk of the data being skewed into any of the researchers' preferences.

Self-reported learning diaries were submitted weekly by entrepreneurs enrolled in a one-year masters program, where students engage in new venture creation. The data provided an opportunity to look at legitimacy-building processes in nascent phases of venturing. Individual diary entries varied in length from roughly half a page to two pages. As it was important for us to be able to understand the network creation process over time, we chose to include only diaries for cases – consisting of individual or team ventures – in which at least 10 weeks were covered.

The analysis of the study for the current paper involved coding (theory-driven coding and empirically-driven coding) as well as abstraction consisting of longitudinal description and interpretation. The theory driven codes were based on the nine different categories suggested by our framework of the three legitimacy types and the three strategies. Representative quotes presented in Table 3 are drawn from four cases selected from the original twelve cases.

Table 3. Nine types of legitimacy strategies

Conceptual coding category	Conceptual example	Example Quotation
<i>Pragmatic-Conform</i>	Conforming to customer demands/capital demands	<i>We must alter our approach depending on what kind of investor we are approaching. For VCs and Business Angels, it is all about the entrepreneurial team and their perceived value with the venture. For the government agencies like ALMI, it is all about having a solid and thorough business plan for the right geographical location. (Mac, 20091218)</i>
<i>Pragmatic-Select</i>	Selecting input-throughput-market, based on technology/product match	<i>Winning Venture Cup Syd was a fantastic accomplishment. Since winning, however, our main focus has been on the business rather than the plan. This meant identifying critical activities which need to get done in order prepare our business to enter sales relationships with OEMs. (Burt, 20100515)</i>
<i>Pragmatic-Manipulate</i>	Marketing of product benefits	<i>I suppose the desired outcome of this event was to raise brand awareness and I firmly believe we did that. (Matt, 20100319)</i>
<i>Moral-Conform</i>	Align to morals	<i>We decided to set up a meeting with Thomas Rundqvist to sort out the details of the IPR contract with Toyota: we believed that the product has great potential, especially with the legislation changes such as EU2020 and EU 2030 which imply that the carbon dioxide levels must drop by 20 tons to 2020 and 30 tons to 2030 (Mac, 20100129).</i>
<i>Moral-Select</i>	Define goals	<i>We are driven by the goal to make a sale before the end of the academic term and this partnership will greatly increase the likelihood of that happening. (Jim, 20100409)</i>
<i>Moral-Manipulate</i>	Convince or Proselytize	<i>We had to convince the researchers that owning less equity is better and more favorable than having more. We managed to lay out a very convincing strategy and get them on our side. (Tony, 20100430)</i>
<i>Cognitive-Conform</i>	Mimic standards	<i>America has done that, Sweden has done that, and the idol storm had been in China for last 3 years. Why could we apply this system into Jewelry industry?? (Charlotte, 20100205)</i>
<i>Cognitive-Select</i>	Seek certification	<i>They approved our napkin campaign, but they are waiting on the actual funds to come in from Regional Skane, which is exciting to have an organization like that approve of our service.(Tom, 20100319)</i>
<i>Cognitive-Manipulate</i>	Spread new models	<i>Companies early in the value chain don't see a need for our algorithm unless someone further down the value chain is demanding the enhancement. (Mac, 20100122)</i>

4. Results

The study advances the literature by identifying strategies through which nascent ventures (and their 'entrepreneurs') build legitimacy. The frequency of the application of each type is represented in tables for each case, illustrating both individual totals and team totals.

Table 4. Case Image Enhancement

	Burt	Mac	Tony	Total per category
Pragmatic-conform	5	2	4	11
Pragmatic-select	2	3	4	9
Pragmatic-manipulate	4	0	3	7
<i>Total Pragmatic</i>	11	5	11	27
Moral-conform	0	0	4	4
Moral-select	5	0	3	8
Moral-manipulate	5	0	2	7
<i>Total Moral</i>	10	0	9	19
Cognitive-conform	4	2	4	10
Cognitive-select	0	0	2	2
Cognitive-manipulate	0	1	1	2
<i>Total Cognitive</i>	4	3	7	14

For Image Enhancement, the most common strategy applied means of legitimization is pragmatic. It is interesting to observe that conforming strategies are the most commonly adopted by the participants, not only in this case, but in all the cases. Burt and Tony stand out from many of the other participants in their tendency to utilize moral-manipulative means towards legitimization. Music Training (Table 5) illustrates a similar pattern to Image Enhancement, adopting an even stronger pragmatic strategy for legitimization, followed by generally equal moral and cognitive strategies.

Table 5. Case Music Training

	Matt	Ron	Sean	Total per category
Pragmatic-conform	5	5	4	14
Pragmatic-select	2	4	5	11
Pragmatic-manipulate	4	3	1	8
<i>Total Pragmatic</i>	11	12	10	33
Moral-conform	2	2	2	6
Moral-select	1	4	4	9
Moral-manipulate	0	0	0	0
<i>Total Moral</i>	3	6	6	15
Cognitive-conform	0	2	5	7
Cognitive-select	3	2	1	6
Cognitive-manipulate	0	0	0	0
<i>Total Cognitive</i>	3	4	6	13

In case Jewelry Design (Table 6), another interesting observation is that Jenny applies moral-select strategy more than any of the other specific categories, which is uncommon across the four cases. Many of these are statements regarding goal definition, which are presented in simplistic and concise phases within the diary entries. Even so, the broad strategy applied by Jenny is consistent with all the

other participants. Both Charlotte and Maria follow the more common profile of either pragmatic-conform or pragmatic-select as the frequent specific category, and generally applying pragmatic legitimacy.

Table 6. Case Jewelry Design

	Charlotte	Jenny	Maria	Total per category
Pragmatic-conform	8	3	6	17
Pragmatic-select	4	2	9	15
Pragmatic-manipulate	3	2	4	9
<i>Total Pragmatic</i>	15	7	19	41
Moral-conform	1	0	1	2
Moral-select	3	4	8	15
Moral-manipulate	0	0	0	0
<i>Total Moral</i>	4	4	9	17
Cognitive-conform	5	1	3	9
Cognitive-select	1	1	2	4
Cognitive-manipulate	0	0	0	0
<i>Total Cognitive</i>	6	2	5	13

Table 7. Case Napkin Ads

	Jim	Saul	Tom	Total per category
Pragmatic-conform	1	2	6	9
Pragmatic-select	4	2	4	10
Pragmatic-manipulate	6	4	3	13
<i>Total Pragmatic</i>	11	8	13	32
Moral-conform	1	0	0	1
Moral-select	3	2	1	6
Moral-manipulate	2	0	1	3
<i>Total Moral</i>	6	2	2	10
Cognitive-conform	0	0	4	4
Cognitive-select	0	0	1	1
Cognitive-manipulate	2	0	0	2
<i>Total Cognitive</i>	2	0	5	7

Another pattern emerging is how uncommon it is to apply manipulative strategies. In case Jewelry Design (Table 6), both Maria and Jenny have a moral stance as second strongest strategy applied, though still only utilizing conformative and selective strategies. Applying a manipulative strategy is the least common, in comparison to conformative and selective. Case Napkin Ads (Table 7) also tends to primarily utilize conformative and selective strategies, but also illustrates a significant amount of manipulative strategy, particularly within the pragmatic typology. Like case Image Enhancement, two of the actors are more uncommon than most participants in applying a moral-manipulative strategy. Tom, like Tony, is also more unique in also utilizing a reasonable amount of cognitive type of strategizing for legitimization, relative to many of the other participants.

Table 8: Combined case strategy analysis

	Image enhancement	Music training	Jewelry design	Napkin ads	Total
Pragmatic-conform	11	14	17	9	51
Pragmatic-select	9	11	15	10	45
Pragmatic-manipulate	7	8	9	13	37
<i>Total Pragmatic</i>	27	33	41	32	133
Moral-conform	4	6	2	1	13
Moral-select	8	9	15	6	38
Moral-manipulate	7	0	0	3	10
<i>Total Moral</i>	19	15	17	10	61
Cognitive-conform	10	7	9	4	30
Cognitive-select	2	6	4	1	13
Cognitive-manipulate	2	0	0	2	4
<i>Total Cognitive</i>	14	13	13	7	47

Table 8 summarizes the overall legitimacy activities among the four cases over the 20 week period. There is variation between cases, but some overall tendencies can be seen. The dominant type of legitimacy that is invoked is pragmatic legitimacy. A clear focus of all the nascent organizations is to gain resources. They do so primarily by developing an understanding of their constituents and trying to adapt conform to their needs, as exemplified in the following quotes and the representative quotes from Table 3.

“We had a follow up meeting with Mr. Nilsson of Sony Ericsson. They are still very much interested in working with us, but need a detailed development plan for our technology. Need to co-ordinate with the researchers for this.” (Burt, 20100422)

“tested revised version of [our case] and have fed back to [the developer] with a serious issues affecting the PC version. Developer is working on the fix. Met with the informatics dept. and they presented us with their latest work. We had a long session discussing how we could improve it further and just tonight they sent us their latest revision and it looks really good!” (Matt, 20100305)

“been preparing and holding our third and last board meeting. This meeting was very useful for us as well because we got some good advices regarding our future issues and plans and we now know what we should really focus on like for instance the jewelry manufactures in Sweden instead of China and creating contacts with potential partners. We will also start focusing on the promotion issues for the competition part” (Maria, 20100409)

Napkin ads is an exception, that due to their relatively resource independence, and less product/service development needs are able to engage in attempting to influence and change customer needs to a larger extent.

“Once we can see and analyse the results of our first campaign we will have the information and numbers needed to structure a more relevant pricing scheme.” (Jim, 20100326)

“We had the follow-up meeting with [a client] on Thursday. It was quite positive, they accepted our rates and are very interested in offering our service to their clients. They are about to set up a contract. With this cooperation, we hope to be

able to expand our network into Malmo, and then Uppsala, Stockholm and Gothenburg.” (Saul, 20100409)

In terms of moral legitimacy, the picture looks quite different from that of pragmatic legitimacy. The primary strategy here for all cases is selection through goal formulation. In this sense, moral legitimacy acts different than pragmatic and cognitive legitimacy, as in the other cases, conformity is more common. All cases are strongly engaged in goal formulation to varying degrees. The Jewelry design case has a very strong focus at goal formulation and little focus at moral-conform and moral manipulative strategies. In the data this is expressed as continuous discussions and reiteration of goals of the company, with little concern and interaction with the external environment.

“I finished writing up some rules to be used on our trial competition. I wrote some extra stuff for the business plan. Our group came up with a rough schedule of we would have to do during this period.”(Jenny, 20100507)

Cognitive legitimacy is the least visible of the three types of legitimacy. This is likely due to methodological challenges in this type of method. As cognitive realms often involve taken for granted assumptions, of implicit nature, it is expected that writers would not to the same extent make such assumptions explicit in the diaries. In line with theory, conforming is the most used cognitive strategy (Scott 2008).

“Looked into legal implications of using/referencing Wikipedia in MT. Unfortunately, Wikipedia does not have a legal dept. as they are an open source community thus blurring the lines as to whether or not we can use them (though I think we can without permission).” (Matt, 20100219)

“LUAP formed Image Enhancement AB so that we could qualify for the VINN NU grant” (Burt, 20100414)

In summary, our analysis indicates that pragmatic issues in general holds primacy in the legitimizing strategies of nascent organizations, that new ventures engage in significant amount of selection of which type of moral pressures to conform to by spending considerable efforts in goal setting activities. Cognitive legitimacy remained difficult to observe given the method used, but conformity to cognitive pressures seemed as the primary strategy.

5. Implication

The area of legitimacy building in nascent ventures is understudied due to the challenge of accessing firms prior to establishment. In this unique study we are able to study legitimacy strategies in the very early phases of venture creation, with a fine grained data set. This study suggests that relative newness of organizational technology leads to increasing focus on conformity strategies to gain legitimacy (Image enhancement, Music training). Relatively more mundane technologies enabled (the case napkin ads) successful engagement of more manipulative strategies. This support Ashforth and Gibbs (1990) suggestion, that relatively more conformity is necessary when organizational technologies are less mature.

We also found that our young cases were strongly engaged in moral selection strategies in terms of goal formulation. This was clear in all the cases, but emphasized in the jewelry design case. We suggest that in this level of fluidity of moral strategy is a unique feature of nascent organizations, making them an excellent empirical field for the study of moral legitimacy in general, and moral selection in specific (Dowling and Pfeffer 1975; Oliver 1991). The focus of the moral selection strategy of the nascent ventures in this study is not based on the organization “as is” (Suchman 1995) but rather on what organization the management team would like to create, and/or what they believe is feasible for it to become.

Manipulation strategies are normally thought of as beyond the scope of nascent ventures, as they are understood to be quite resource intensive (Zimmerman and Zeitz 2002). However, both pragmatic and moral manipulation strategies are within the reasonable palette of nascent ventures as well (Suchman 1995). For example nascent ventures provide credible inventors of new moral standards, to an extent that established organizations could not (Honig et al. 2013).

6. Practical implications

The framework suggested in this paper provides a strategy toolbox for nascent entrepreneurs. While most entrepreneurs are aware of the need to conform to institutional pressures, they may not think of other legitimizing strategies they could employ towards institutions. This paper suggests that managers could more consciously devise strategies on how to deal with institutions. In terms of policy implications, this paper suggests avenues for policy makers to influence new organizations. The data indicates the primacy of pragmatic strategies over moral and cognitive. Policy could follow this indication, creating pragmatic incentives for new ventures. The malleability of moral legitimacy of nascent organizations also provides an interesting possibility for policy. In striving to find the right moral goals and aims for their organization, nascent ventures seem to be more influence-able in the "right" moral direction.

Appendix A: Case descriptions

Case Characteristics

Cases	Alias	Country	Age	Business Model/Type	Pre-existing network	Diaries	Week 21
Music Training	Matt	Netherlands	23	Product development (software)	University provided idea, entrepreneurs don't have existing ties	56	Active
	Ron	Libanon	30				
	Sean	Russia	28				
Image Enhancement	Burt	Canada	28	Product development (new technology)	University provided idea, entrepreneurs don't have existing ties	41	Active
	Mac	US	26				
	Tony	Poland	24				
Napkin Ads	Jim	Australia	24	Trading	No	39	Active
	Saul	Germany	28				
	Tom	US	30				
Jewelry Design	Charlotte	China	25	Product development (customer design)	No	53	Abandoned
	Jenny	Thailand	25				
	Maria	Sweden	24				

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