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# Legitimate to whom? The challenge of audience diversity and new venture legitimacy



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### ABSTRACT

We examine how entrepreneurs manage new venture legitimacy judgments across diverse audiences, so as to appear legitimate to the different audience groups that provide much needed financial resources for venture survival and growth. To do so, we first identify and describe the different mechanisms by which entrepreneurs can establish new venture legitimacy across diverse audiences. We then account for the institutional logics that characterize different new venture audience groups, and use this as a basis for uncovering how and why the legitimacy criteria for a new technology venture may vary depending on the audience. We then consider how leaders of entrepreneurial ventures may use framing as a means to manage legitimacy judgments across various audiences, and thereby improve their chances of accessing critical financial resources for venture survival and growth.

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To successfully launch a new venture, entrepreneurs depend on marshaling resources and support from a diverse array of external actors. Success in garnering such inputs can have a significant impact on the survival and sustainability of a new venture (Barney, 1991). For members of an external audience to provide a new venture with resources and support, they need to perceive the venture as legitimate (Aldrich and Fiol, 1994; Fisher et al., 2016; Lounsbury and Glynn, 2001; van Werven et al., 2015; Zimmerman and Zeitz, 2002). A venture is perceived as legitimate if others view it as "desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995: 574). Perceptions of legitimacy enable new ventures to overcome their 'liability of newness' and to access inputs that increase their otherwise limited chances of survival (Singh et al., 1986; Stinchcombe, 1965). It is therefore not surprising that new venture legitimacy has been the focus of a wealth of research over the past two decades (see Überbacher, 2014 for an extensive review of the research on new venture legitimacy). However, despite the breadth of research in this area, some significant gaps remain in our understanding of new venture legitimacy judgments; one of which stems from our limited understanding of how new venture legitimacy judgments differ across various new venture audiences (Überbacher, 2014).

Entrepreneurial ventures depend on resources and support from a diverse range of audiences including individual supporters, venture capitalists, government agencies and corporations (Denis, 2004; Hanlon and Saunders, 2007). Different audiences have differing norms, beliefs, rules, and procedures for assessing a venture (Fisher et al., 2016). Since legitimacy assessments represent social judgments that reside in the eye of the beholder (Ashforth and Gibbs, 1990; Bilek, 2011; Webb et al., 2009), such

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assessments are audience dependent (Suchman, 1995). Golant and Sillince (2007: 1161) echo a similar sentiment when they point out that to secure legitimacy, an organization “must be perceived as a valid and plausible representation of the interests, values and beliefs of these targeted audiences.” However, Überbacher (2014: 674) reports that in prior new venture legitimacy research, audiences are “theoretically and empirically collapsed into the aggregate concept ‘organizational environment’ (Singh et al., 1986).” Studies “either do not systematically distinguish the legitimacy judgments of the different audience types that a new venture faces (Zott & Huy, 2007), or they focus on how new ventures achieve legitimacy with one specific type of audience (e.g., with investors) and seek to theoretically generalize their findings to other types of audiences (Martens, Jennings, & Jennings, 2007)” (Überbacher, 2014: 674). This deficiency in venture legitimacy research, has resulted in calls for future research to explore how legitimacy judgments differ across various audience contexts (e.g., Navis and Glynn, 2011; van Werven et al., 2015). Überbacher (2014: 684) suggests: “Future research should go beyond this simplistic assumption (of a single venture audience) by more directly studying how different types of audiences actually make legitimacy judgments and resource allocation decisions (because) the stakeholder environments of organizations are increasingly complex and heterogeneous.”

We seek to address this gap by asking the research questions: *How do new venture legitimacy criteria vary across different new venture audiences, and how can entrepreneurs establish venture legitimacy among different audiences when seeking resources for a new venture?* To address these questions, we account for differences in the institutional logics governing the audience groups that provide financial resources to new technology-based ventures, and invoke framing as a perspective that enables entrepreneurs to manage legitimacy judgments across different audiences.

We ultimately develop a framework that accounts for differences in the framing that entrepreneurs employ to influence legitimacy judgments of various resource providing audiences of new technology-based ventures. To do this we first identify mechanisms used to establish and manage new venture legitimacy. Following that, we distinguish between different audience groups that provide resources to new technology-based ventures, and describe the institutional logics governing each audience group. We link identified legitimization mechanisms with different institutional logics to outline the legitimacy factors that are likely to impact new venture resource providers operating with different institutional logics and we introduce emphasis framing as a perspective for entrepreneurs to manage legitimacy perceptions across various audiences.

We address our research question within the constraints of two clear boundary conditions. Firstly, we focus exclusively on *technology-based ventures*, and secondly we focus on legitimacy judgments for the purpose of providing *financial resources*. Limiting the scope of our theorizing to *technology-based ventures* allowed for the identification of relevant new venture audiences. Researchers specifically distinguish technology-based venturing from mainstream entrepreneurship, by emphasizing its focus on science- and technology-driven innovation as the basis of new entrepreneurial opportunities (Beckman et al., 2012). Technology based ventures are new ventures that are developed to exploit a unique technical insight or breakthrough, and if successfully commercialized, they have the potential for significant disruption, growth and competitiveness (Hsu, 2008). Technology-based ventures generally emerge from settings rich in technical knowledge and depend on support from others with technical expertise (Fisher et al., 2016). Developing arguments specific to technology-based ventures enabled us to identify the specific audiences that evaluate such a venture and thus be clear in our theorizing. Other types of new ventures (e.g. social, family or corporate ventures) draw on resources and support from different types of audiences and hence the legitimacy judgments for such ventures may differ slightly.<sup>1</sup>

Our specific focus on audience groups that plan to provide new ventures with *active support* in the form of *financial resources* was informed by Suchman's (1995) observation that organizational legitimacy judgments are made for the purpose of providing active support or passive acquiescence: “Legitimacy may involve either affirmative backing for an organization or mere acceptance of the organization as necessary or inevitable based on some taken-for-granted cultural account” (Suchman, 1995: 582). In this study we don't account for mere taken-for-granted legitimacy judgments because such passive acquiescence does not provide a venture with the financial support it needs to survive and grow. New ventures need active support such as the provision of financial resources to survive and grow (Hanlon and Saunders, 2007; Zimmerman and Zeitz, 2002).<sup>2</sup>

## 1. New venture legitimization mechanisms

The prior literature on new venture legitimization reflects a wide array of mechanisms that may be employed by entrepreneurs to establish or manage the legitimacy of a new venture. Überbacher (2014) identified, coded and reviewed 60 articles, published between 1986 and 2012, that focused on new venture legitimacy. Using the same search process and criteria as Überbacher, we identified and coded an additional 10 articles covering issues of new venture legitimacy published between 2013 and 2015. From all 70 articles on new venture legitimization published between 1986 and 2015, we identified a variety of things that an entrepreneur might *do* to enhance and manage the legitimacy of a new venture; these include storytelling (e.g., Aldrich and Fiol, 1994; Garud et al., 2014; Lounsbury and Glynn, 2001; Martens et al., 2007), sensegiving (e.g., Aldrich and Fiol, 1994; Navis and Glynn, 2010; Wry et al., 2011) forging ties (e.g., Certo, 2003; Haveman et al., 2012; Higgins and Gulati, 2003, 2006; Stuart et al., 1999); attaining certification (e.g., Rao, 1994), engaging in symbolic actions (e.g., Starr and MacMillan, 1990; Zott and Huy, 2007), developing a business

<sup>1</sup> Although our examples and assertions are specific to technology-based ventures, the overarching theory is generalizable to other entrepreneurial settings. The specific audience categories and associated legitimacy judgment criteria may differ in other settings (e.g., for social ventures, family ventures or corporate ventures), yet the challenges and opportunities associated with multiple new venture audiences are applicable in those settings.

<sup>2</sup> Perceptions of legitimacy are a *necessary condition* for acquiring such active support from an external audience. However, legitimacy *may not be a sufficient condition* to ensure venture support – just because an external actor perceives a new venture as legitimate, does not necessarily mean that the actor will actively support the venture with financial resources. Other factors such as venture attractiveness, distinctiveness or appeal might also be considered when making support decisions (Chen et al., 2009; Martens et al., 2007; Mitteness et al., 2012; Navis and Glynn, 2011; van Werven et al., 2015).

**Table 1**

Categorization of legitimacy mechanisms (reflected in prior new venture legitimization studies).

Legitimation mechanism: Broad categorization	Legitimation mechanism: Narrow categorization	Studies
Identity mechanisms [32]	Storytelling [10]	Aldrich and Fiol (1994) <sup>a</sup> , Desa (2012) <sup>a</sup> , Garud et al. (2014), Johnson (2007) <sup>a</sup> , Katre and Salipante (2012) <sup>a</sup> , Lounsbury and Glynn (2001) <sup>a</sup> , Martens et al. (2007) <sup>a</sup> , Navis and Glynn (2011) <sup>a</sup> , Pollack et al. (2012) <sup>a</sup> , Ruebottom (2012) <sup>a</sup>
	Sensegiving [4]	Fischer and Reuber (2014), King et al. (2011) <sup>a</sup> , Navis and Glynn (2010) <sup>a</sup> , Wry et al. (2011) <sup>a</sup>
	Impression management [4]	Benson et al. (2015), Clarke (2011) <sup>a</sup> , Nagy et al. (2012) <sup>a</sup> , Rutherford et al. (2009) <sup>a</sup>
	Analogies and arguments [6]	Cornelissen and Clarke (2010) <sup>a</sup> , Etzion and Ferraro (2010) <sup>a</sup> , Hargadon and Douglas (2001) <sup>a</sup> , Pollock and Rindova (2003) <sup>a</sup> , Santos and Eisenhardt (2009) <sup>a</sup> , van Werven et al. (2015)
	Cultural agency [1]	Drori et al. (2009) <sup>a</sup>
	Collective framing [5]	Hiatt et al. (2009) <sup>a</sup> , Gurses and Ozcan (2015), Parhankangas and Ehrlich (2014), Rao (2004) <sup>a</sup> , Weber et al. (2008) <sup>a</sup>
	Symbolic actions [2]	Starr and MacMillan (1990) <sup>a</sup> , Zott and Huy (2007) <sup>a</sup>
Associative mechanisms [10]	Organizational ties [5]	Baum and Oliver (1991, 1992) <sup>a</sup> , Singh et al. (1986) <sup>a</sup> , Stuart et al. (1999) <sup>a</sup> , Zimmerman and Zeitz (2002) <sup>a</sup>
	Top management ties [3]	Certo (2003) <sup>a</sup> , Higgins and Gulati (2003, 2006) <sup>a</sup>
	Individual ties [2]	Haveman et al. (2012) <sup>a</sup> , Packalen (2007) <sup>a</sup>
Organizational mechanisms [14]	Internal milestones or structures [6]	Choi and Shepherd (2005) <sup>a</sup> , Delmar and Shane (2004) <sup>a</sup> , Karlsson and Honig (2009) <sup>a</sup> , Khaire (2010) <sup>a</sup> , Souitaris et al. (2012) <sup>a</sup> , Wiklund et al. (2010) <sup>a</sup>
	Leaders background [4]	Cohen and Dean (2005) <sup>a</sup> , Godwin et al. (2006) <sup>a</sup> , Packalen (2007) <sup>a</sup> , Tornikowski and Newbert (2007) <sup>a</sup>
	External validation [4]	Kistruck et al. (2015), Marlow and McAdam (2015), Rao (1994) <sup>a</sup> , Sine et al. (2007) <sup>a</sup>
Other [14]	Factors beyond the control of the venture e.g. population density, country characteristics, population homogeneity, industry subsidies etc.	
Total studies [70]		

<sup>a</sup> Study included in Überbacher (2014) review – legitimization mechanisms coded as part of that review.

plan (Delmar and Shane, 2004; Karlsson and Honig, 2009; Wiklund et al., 2010), impression management (Benson et al., 2015; Clarke, 2011; Rutherford et al., 2009) and constructing analogies (Hargadon and Douglas, 2001; van Werven et al., 2015).

From our own review of the aforementioned 70 articles we identified all the mechanisms that were accounted for in prior research as contributing to new venture legitimacy. We carefully ordered, linked and grouped all these mechanisms into three broad categories: identity, associative and organizational mechanisms (see Table 1). To arrive at these categories, we iteratively experimented with different categorization structures and boundaries, and eventually settled on three groupings as a parsimonious means to clearly distinguish between different new venture legitimization mechanisms. We classified anything associated with the creation and management of a venture identity as an identity mechanism – this included cultural tools such as telling stories about a venture, managing impressions, creating analogies, collective framing and portraying specific symbols to establish a particular venture identity. We classified anything to do with a venture's relationships and connections with external parties as associative mechanisms – this included the establishment of organizational and individual ties. We classified anything portraying organizational achievement or organizational structuring as organizational mechanisms – this included the achieving certain milestones, garnering external validation or having a leader with specific characteristics.<sup>3</sup>

These categories, inducted from the prior literature, provide a basis for establishing a clearer understanding of *what entrepreneurs might do* to establish legitimacy for a new venture. These categories differ slightly from prior categorizations of organizational legitimacy (e.g., moral, pragmatic and cognitive legitimacy described by Suchman (1995)), because of their orientation toward the actions of the entrepreneur in practically establishing legitimacy for a new venture rather than focusing on how legitimacy judgments are made. We describe each category below.

### 1.1. Identity mechanisms

Identity mechanisms account for an entrepreneur's strategic use of cultural tools and identity claims such as images, symbols and language to enhance and manage new venture legitimacy (Swidler, 1986; Weber and Dacin, 2011). Aldrich and Fiol (1994) introduced the idea of using cultural and identity mechanisms to establish new venture legitimacy when they described how entrepreneurs in a new industry context, might utilize concepts such as symbolic language, consistent stories, a dominant design, and linkages with educational curricula to overcome legitimacy constraints by fostering an understanding of the ventures'

<sup>3</sup> Some of the organizational mechanisms may also impact a venture's identity. For example, a venture's leader and organizational structure can have an impact on the identity of that venture hence we recognize that there could be some overlap between organizational and identity legitimization mechanisms.

activities and aims. Since then researchers have theorized and examined how an array of identity mechanisms—including stories (Garud et al., 2014; Lounsbury and Glynn, 2001; Martens et al., 2007), symbols (Zott and Huy, 2007), identity claims (Navis and Glynn, 2010, 2011), analogies (Hargadon and Douglas, 2001), arguments (van Werven et al., 2015), impression management tactics (Benson et al., 2015; Clarke, 2011; Rutherford et al., 2009) and sensegiving statements (Navis and Glynn, 2010; Wry et al., 2011) – are used to establish and manage new venture legitimacy. Identity mechanisms account for the explicit and implicit claims, and impressions an entrepreneur portrays about a venture to align it with an audience's identity expectations. Of the 70 new venture legitimacy articles that were identified and coded, 32 (46%) were categorized as accounting for identity mechanisms for new venture legitimacy establishment and management.

### 1.2. Associative mechanisms

Associative mechanisms account for the relationships and connections that entrepreneurs and their ventures forge to establish and manage their legitimacy. A connection with other powerful and recognizable actors in a field (e.g., with corporate elites, established organizations, high profile investors etc.) signals to other audiences that the new venture has achieved evaluative approval and as such should be accepted as legitimate because others have already done so (Rindova et al., 2007). Such relationships may be forged at the organizational level e.g., venture linkages to government institutions (Baum and Oliver, 1991, 1992), the top management team level e.g. prior employment affiliations of venture team members with prominent downstream organizations (Higgins and Gulati, 2006) or at the levels of the individual entrepreneur e.g. an entrepreneur's individual ties with industry insiders (Haveman et al., 2012). Of the 70 new venture legitimacy articles that were identified and coded, 10 (14%) were categorized as reflecting associative mechanisms for new venture legitimacy establishment and management.

### 1.3. Organizational mechanisms

A third category of mechanisms for establishing and managing new venture legitimacy emerged from the research that we reviewed. This category accounted for the organization and structure of a new venture, and achievement of success measures by that venture. We labeled this set of mechanisms *organizational mechanisms*. According to institutional theory, a new venture is perceived as legitimate if it engages in "standard" or "normal" organizational behavior within a given field of activity (cf. Meyer and Rowan, 1977), or if it achieves certain levels of performance and professionalization based on the standard expectations of those within the field (cf. DiMaggio and Powell, 1983). Hence, organizational mechanisms – including the implementation of expected organizational structures and the attainment of organizational achievements – might facilitate new venture legitimacy. This might be having the right profile person in a leadership position (e.g., Cohen and Dean, 2005; Tornikowski and Newbert, 2007), or achieving certain organizational outcomes or milestones such as a product launch, company registration or certification (Choi and Shepherd, 2005; Delmar and Shane, 2004; Khaire, 2010; Kistruck et al., 2015; Rao, 1994). Of the 70 new venture legitimacy articles that were coded, 14 (20%) were categorized as reflecting organizational mechanisms for new venture legitimacy establishment and management.

Table 1 provides a summary of all the new venture legitimacy mechanisms examined in the prior literature and how these are categorized into the three broad categories of identity, associative and organizational mechanisms. These three categories are reflected in 57 (81%) of the 70 new venture legitimacy articles that were reviewed. The other published articles examined legitimization factors that could not be attributed to any of the three categories – they were factors over which entrepreneurs have little or no control (e.g., population density, country characteristics, government support). Since entrepreneurs cannot sufficiently influence such factors to establish or manage new venture legitimacy, they are not accounted for in our review, or in our theoretical framework.

## 2. New venture audiences and institutional logics

Although it is evident that new ventures depend on resources and support from a diverse array of audiences (Fisher et al., 2016; Hanlon and Saunders, 2007), there is limited prior work that categorizes or distinguishes between different new venture audiences in a theoretically meaningful way (Überbacher, 2014). Recently scholars have highlighted that different new venture supporters likely operate with contrasting *institutional logics*, and thus an institutional logics perspective provides a theoretically meaningful basis to distinguish between different categories of new venture audiences (Pahnke et al., 2015). "The institutional logics perspective is a metatheoretical framework for analyzing the interrelationships among institutions, individuals, and organizations in social systems" (Thornton et al., 2012: 2). Institutional logics are "socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (Thornton and Ocasio, 1999: 804). Institutional logics vary across different groupings of people who operate with different practices, assumptions, values, beliefs, and rules because of their different environmental context. For example, business people likely adopt practices, assumptions, values, beliefs, and rules that are aligned with a market logic, whereas a pastor likely adopts practices, assumptions, values, beliefs, and rules that are aligned with a religious logic, while politicians and government bureaucrats adopt practices, assumptions, values, beliefs, and rules that are aligned with a state logic (Thornton et al., 2012).

By providing the governing principles that define appropriate behavior for organizational actors, institutional logics shape judgments about the validity and appropriateness of different organizational practices (Thornton et al., 2012). Hence, to understand how and why members of different audience groups perceive a new venture as legitimate, it is useful to account for the institutional logics that govern various new venture audiences, thereby accounting for the social and institutional context within which legitimacy judgments are made (Fisher et al., 2016).

Institutional logics represent distinct social worlds that may or may not be compatible with one another (Kraatz and Block, 2008; Pache and Santos, 2010; Selznick, 1949). Researchers adopting an institutional logics perspective have developed a typology of institutional logics. Thornton et al. (2012: Ch. 3) describe how this typology has evolved to reflect seven different institutional orders, each with its own logic. These include family, community, religion, state, market, profession, and corporation (Thornton et al., 2012: 73).

Pahnke et al. (2015) incorporated an institutional logics perspective into the study of technology-based entrepreneurship. They distinguished between three different audience groups that provide resources and support to early stage technology ventures each with a dominant institutional logic: (1) government agencies and research administrators dominated by a state logic, (2) venture capitalists (VCs) dominated by a professional logic, and (3) corporate venture capitalists (CVCs) dominated by a corporate logic.<sup>4</sup> Next we elaborate on each of these audience groups and their dominant institutional logic.

First, Pahnke et al. (2015) suggest that government agencies and research administrators providing research grants to new ventures operate with a *state logic* as their dominant logic. Such agencies “are public-sector bureaucracies with one or more mandates on behalf of citizens” (Pahnke et al., 2015: 606). Because of their nation building objectives and responsibilities to government authorities, they operate with a state logic, to provide resources to ventures to pursue technological advancements that serve the public good. As per the typology proposed by Thornton et al. (2012: 73) and adapted by Pahnke et al. (2015) government agencies dominated by a state logic operate under a welfare capitalism economic perspective, their legitimacy stems from the prestige of government science and the selectivity associated with funding; authority and control stems from bureaucratic procedures, and people within such agencies view themselves as stewards of government funds and derive norms from national culture. Ultimately knowledge advancement and the promotion of public good is the focus of such a logic, hence new ventures that advance a similar agenda are typically viewed as legitimate and provided with financial supported (see Table 2).

Second, Pahnke et al. (2015) suggest that VCs operate with a *professional logic* as their dominant logic – they view themselves as professionals with specialist skills in “financing young firms with high growth potential” (Pahnke et al., 2015: 599). They provide resources to new ventures with the goal of generating high economic returns for their clients, and themselves, and organize themselves within a partnership to achieve this objective (Gompers and Lerner, 2001). As per the typology of Thornton et al. (2012: 73) and Pahnke et al. (2015), VCs dominated by a professional logic utilize personal capitalism as their core economic perspective. They garner legitimacy from their investment track record, and utilize equity percentages and a simple hierarchy to exercise authority. Under such a logic, identity stems from the VC firm’s reputation and the entrepreneurial and investment track record of the VCs. Norms are based on self-interest, and attention comes from status and track record. Ultimately the focus of VCs operating with a professional logic is on investing in ventures to generate economic returns (see Table 2.)

Third, CVCs operate as “the new-firm-investing-arms of corporations.” (Pahnke et al., 2015: 603). They make investments in new ventures on behalf of a corporation so as to provide the corporation with insights into novel technologies, products and potential acquisitions (Katila et al., 2008; Wadhwa and Kotha, 2006). Operating under a corporate umbrella and investing corporate resources to advance company objectives, CVCs are heavily influenced by a *corporate logic* (Pahnke et al., 2015). According to the typology adapted by Pahnke et al. (2015), CVCs dominated by a corporate logic adopt managerial capitalism as their economic perspective. Their legitimacy comes from the market position of their firm. Authority and control stems from the upper echelons of the corporation (the directors and top managers) and is then dispersed through the corporate hierarchy. Identity under a corporate logic is associated with bureaucratic roles, and CVCs see themselves as a broker between a venture and a corporation. Norms are embedded in corporate culture, and attention is directed toward a CVCs portfolio of investments and how it fits with the corporate strategy. Ultimately investments are made for firm strategy enhancement and advancement (see Table 2.).

We use the classifications outlined by Pahnke et al. (2015) and derived from Thornton et al. (2012) – government agencies dominated by a state logic, VCs dominated by a professional logic and CVCs dominated by a corporate logic – as a basis to develop a more intricate typology of technology venture audiences and their dominant institutional logics. We expand their classification by adding two other audience groups: Crowdfunding contributors as an early stage funding source for new ventures (Mollick, 2014)<sup>5</sup> and angel investors as an important source of seed funding for technology based ventures (Shane, 2012). We posit that crowdfunding platforms are dominated by a *community logic* and angel investors are dominated by a *market logic*.

A *community logic* is an institutional logic with “cooperative capitalism” as the pervasive lens, “a commitment to community values and ideology” as the sources of authority, “group membership” as the basis of norms, “unity of will” plus “belief in trust and reciprocity” as sources of legitimacy, and an “emotional connection” as a source of identity (Thornton et al., 2012: 73). In

<sup>4</sup> Pahnke et al. (2015) categorized the institutional logics of new venture resource providers for the purpose assessing when and how such resource providers will provide technical and commercial value to a venture, beyond the financial capital that they provide. We use the same categorization scheme for a different purpose: to analyze how different audiences will assess the legitimacy of new ventures to whom financial support might be extended.

<sup>5</sup> Crowdfunding is “the practice of soliciting financial contributions from a large number of people especially from the online community” (Merriam Webster Dictionary). Entrepreneurs typically present their project ideas on online crowdfunding platforms such as Kickstarter and Indiegogo. Potential crowdfunding backers worldwide can view these projects and decide to back them with financial contributions, in exchange for certain rewards (e.g., an early version of the product). According to Forbes (2015), entrepreneurs raised more than \$16 billion via crowdfunding in 2014, with estimates that it could reach \$34 billion by 2016, exceeding the \$30 billion invested by the venture capital industry annually. As of March 2016, more than 100,000 projects (35.38% of the total launched projects) had been successfully funded via Kickstarter – the world’s largest crowdfunding platform – with total funding of more than \$2.3 billion, coming from more than 10 million backers worldwide (3.3 million of which were repeat backers).

**Table 2**

Institutional logics for audiences of new technology-based ventures.

Audience	Crowdfunding backers	Government agencies	Angel investors	Venture capitalists	Corporate venture capitalists
Nature of Financial Resources	Crowdfunding ↓	Research grants and awards ↓	Seed capital ↓	Venture capital ↓	Corporate investment ↓
Institutional Logic	Community logic	State logic	Market logic	Professional logic	Corporate logic
Economic Perspective <sup>a</sup>	• Cooperative capitalism	• Welfare capitalism	• Personal capitalism	• Free market capitalism	• Managerial capitalism
Sources of Legitimacy <sup>a</sup>	• Unity of will • Belief in trust and reciprocity	• Prestige of government science • Selectivity of funding	• Individuals entrepreneurial success • Personal wealth	• Investment track record	• Market position of firm
Sources of Authority <sup>a</sup>	• Commitment to community values and ideology	• Bureaucratic procedures	• Autonomy • Equity percentages	• Equity percentages Partnership percentages • Simple hierarchy	• Board of directors and top managers • Dispersed authority and slow decision making
Sources of identity <sup>a</sup>	• Emotional connection • Ego satisfaction and reputation	• Steward of public funds	• Past entrepreneurial experience • Individual reputation	• Partnership affiliation and reputation • Entrepreneurial reputation	• Bureaucratic roles • Broker between venture and corporation
Basis of norms <sup>a</sup>	• Group membership	• National norms	• Self-interest	• Professional standards	• Corporate culture
Basis of attention <sup>a</sup>	• Personal investment in group	• Knowledge advancement • Promotion of public good	• Individual reputation • Entrepreneurial success	• Status in profession • Investment track record	• Portfolio of investments • Fit with corporate strategy
Logic of support	• For community advancement	• For knowledge advancement and generating public good	• For personal economic returns • To be part of venture	• For economic returns for fund investors	• For strategy enhancement

<sup>a</sup> Elements of institutional logic as accounted for by Thornton (2004), Thornton et al. (2012) and Pahnke et al. (2015).

a crowdfunding setting, project creators (i.e., entrepreneurs) and backers (i.e. funders) operate with a shared emotional connection to entrepreneurial and creative projects, and stay connected to one another through a sense of group membership. Anecdotal evidence of a community logic is reflected in the community guidelines described prominently on the website of the world's largest crowdfunding platform—Kickstarter—as follows:

*Kickstarter is a community of people committed to bringing new things to life. Our community is founded on a few core values—transparency, trust, and honesty. It's up to all of us to bring new ideas into the world, and to make sure that Kickstarter is a place that shares this spirit of support.*" (Kickstarter, 2016)

Recent crowdfunding research highlights the importance of "entrepreneurs' social engagement with the crowdfunding community" as a key aspect for success on a crowdfunding platform (Jung, Susarla & Sambamurthy, 2015: 1). Popular press books also acknowledge the importance of a community orientation in a crowdfunding setting (e.g., Lawton and Marom, 2010; Steinberg, 2012). Hence, categorizing crowdfunding backers as operating under a community logic is appropriate and under such a logic financial resources are provided to new ventures to support community advancement (see Table 2).

Under the *market logic* that dominates the context in which angel investors decide to provide seed capital to new ventures, financial capital is committed to generate market returns through private appropriation of value. Personal capitalism is the prevalent economic paradigm because individuals use their own funds to invest in new ventures for individual gain and for the opportunity to be part of on a potentially successful entrepreneurial endeavor (Shane, 2012). An individual's past entrepreneurial success and personal wealth provides them with a source of legitimacy, and their authority stems from their ability to make autonomous decisions. Norms are dictated by self-interest (Thornton et al., 2012), and an individual's past entrepreneurial experience and their associated personal reputation serves as a source of identity and basis of attention. Ultimately angel investors provide financial support to new ventures for two reasons – to generate personal economic returns and to actively participate in the growth and development of new ventures (Van Osnabrugge and Robinson, 2000). However, they need to be patient in realizing economic returns, since investments can remain illiquid for relatively long periods (Shane, 2012).

**Table 3**  
The new venture legitimization framework

Legitimacy mechanisms	Audience (Resources) [Institutional logic]	Crowdfunding backers (Crowdfunding) [Community logic]	Grant administrators (Research grants or awards) [State logic]	Angel investors (Seed capital investment) [Market logic]	Venture capitalists (Venture capital investment) [Professional logic]	Corporate venture capitalists (Corporate investment) [Corporate logic]
	Contribution claims – Claims an identity providing value directly to community members and contributing to community wellbeing.	Technical claims – Claims an identity of contributing to knowledge advancement and providing technological breakthroughs.	Disruption claims – Claims an identity as a market disruptor.	Competitive claims – Claims an identity of being as competitively superior to others.	Complementary claims – Claims an identity that supports and enhances the corporation's strategy.	
Associative mechanisms With whom is the venture is connected?	Ties with prominent community members or associations – Venture forms and signals ties with community members or associations – tied to the community ecosystem.	Ties with research institutions – Venture forms and signals ties with research institutions – tied to the academic ecosystem.	Ties with venture accelerators (or similar organizations) – Venture forms and signals associations with venture accelerators (or similar types of organizations) – tied to entrepreneurial ecosystem.	Ties with other investors – Venture forms and signals associations with other investors – tied to investor ecosystem.	Ties with other corporations – Venture forms and signals associations with other corporations – tied to the corporate ecosystem.	
Organizational mechanisms How a venture is organized? Including two factors: – Leadership – Success measures	Community membership of the leader(s) – Venture has a leader in place with strong links to, and membership in, the community	Academic experience and reputation of leader(s) – Venture has a leader in place with recognized academic qualifications and reputation.	Commercialization expertise of leader(s) – Venture has a leader with expertise in bridging the technological and commercial domains to bring new products to market.	Entrepreneurial experience and reputation of leader(s) – Venture has a leader in place with recognized entrepreneurial experience and reputation.	Managerial experience and reputation of leader(s) – Venture has a leader in place with recognized managerial experience and reputation.	Level of professionalization – Instituting a familiar organizational structure and managerial roles.
	Demonstrating prototype – Developing and demonstrating a product prototype.	Scientific achievements – Achieving technical and research milestones, achievements and recognition.	Establishment of early customers – Developing and highlighting a base of initial customers.	Achieving growth milestones – Achieving specified venture growth milestones.		

Based on the prior work on new venture resource providers (Pahnke et al., 2015), and our extension of that work, we hone in on five different audience groups that provide resources to new ventures, and their associated institutional logics: crowdfunding backers dominated by a community logic, government agencies and research administrators dominated by a state logic, angel investors dominated by a market logic, venture capitalists dominated by a professional logic, and corporate venture capitalists dominated by a corporate logic.<sup>6</sup> It is important to note that audience members in each of these groups may also be influenced by other institutional logics; we however hone in on what is most likely the dominant institutional logic by which each group assesses new venture legitimacy. Table 2 summarizes key insights about these audiences and their associated institutional logics. The core elements of each type of institutional logic are specified in Table 2.

### 3. Institutional logics and new venture legitimization mechanisms

Legitimacy judgments are dictated by the institutional logic of the group or of the individual making such a judgment (Friedland and Alford, 1991). Because institutional logics provide the governing principles that define appropriate behavior for organizational actors, they significantly shape judgments about the validity and appropriateness of different organizational practices (Thornton and Ocasio, 1999; Thornton et al., 2012). Hence institutional logics and legitimacy judgments are inextricably linked. This means that the legitimacy of a new venture may be judged differently by crowdfunding backers dominated by a community logic, compared to government agents dominated by a state logic, compared to angel investors dominated by a market logic, compared to VCs dominated by a professional logic and compared to CVCs dominated by a corporate logic.

To account for these differences, entrepreneurs must adapt their new venture legitimization mechanisms to align with the expectations and criteria of different audience groups operating with contrasting institutional logics. This is a central element of new venture legitimacy management, and entrepreneurs or organizational leaders that are unable to do this are much less likely to establish legitimacy and garner the financial resources they need to develop and grow their business.

In this section we consider how new venture legitimization mechanisms may need to vary to relate to various new venture audiences operating with different institutional logics. Specifically, we consider how identity, associative and organizational new venture legitimization mechanisms (identified and described earlier) need to vary for different audiences providing new venture financing including: (1) crowdfunding backers operating with a community logic, (2) government agents operating with a state logic, (3) angel investors operating with a market logic, (4) VCs operating with a professional logic, and (5) CVCs operating with a corporate logic. We capture the core ideas in a framework we call the new venture legitimization framework. Table 3 reflects this framework. The different new venture audiences and their associated institutional logics are reflected across the x-axis of the table, and the various new venture legitimization mechanisms are reflected down the y-axis of the table. At the intersection of each row and column we highlight how a specific legitimization mechanism applies to a specific audience. Explanations of each box follow.

### 4. Crowdfunding backers, community logic and new venture legitimization mechanisms

As described earlier, crowdfunding backers that participate on a platform such as Kickstarter or Indiegogo, tend to operate with a community logic as their dominant institutional logic. Under a community logic such resource providers view new venture support as a form of cooperative capitalism. They depend on trust and reciprocity to make new venture judgments, and they are drawn to ventures that demonstrate a commitment to community values and ideology (Murray, Kotha & Fisher, 2016). They also connect with new ventures on an emotional level and draw a distinction between ventures that are “in” their community versus those that are not part of the community. This is why entrepreneurs need to carefully customize their crowdfunding appeals (Allison et al., 2015). For a new venture to be perceived as legitimate in such a setting, an entrepreneur needs to utilize identity, associative and organizational legitimacy mechanisms that reflect such a community logic.

#### 4.1. Identity mechanisms

To appear legitimate to an audience operating with a community logic, entrepreneurs need to make identity claims, use symbols and portray images that reflect the contribution the venture will make to the community and how it will provide value to the members of that community (Fauchart and Gruber, 2011). We label such a claim as a *contribution claim*. Contribution claims are evident in most successful Kickstarter and Indiegogo campaigns, where the language, symbols and images are designed to connect with and reflect a contribution back to a niche community with specific needs. For example, the Kickstarter crowdfunding campaign for OUYA – a new video game console launched in July 2012 – leveraged clear language and vivid images depicting strong contributions to the game developer community, the community from whence it was seeking support. This is an extract from taken from the Kickstarter campaign page, describing what the venture wanted to do:

“It's time we brought back innovation, experimentation, and creativity to the big screen. Let's make the games less expensive to make, and less expensive to buy....We're handing the reins over to the developer with only one condition: at least some

<sup>6</sup> We recognize that some individuals that evaluate new ventures for the purpose of providing resources may also be influenced by other institutional logics (e.g. family members providing resources influenced by a family logic, and faith-based organizations influenced by a religious logic). However for the sake of parsimony we focus on the most critical resource providers for technology-based ventures and their dominant institutional logics.

gameplay has to be free....OUYA is a new game console for the TV, powered by Android. Developers will have access to OUYA's open design so they can produce their games for the living room, taking advantage of everything the TV has to offer....Developers can wave farewell to the roadblocks of bringing a console game to market. Anyone can make a game: every OUYA console is a dev kit. No need to purchase a license or an expensive SDK. It's built on Android, so developers already know how it works"

[(OUYA, 2012)]

Additionally, the campaign page featured nostalgic images of old video games that only those in the developer community would likely recognize and appreciate. In this way, the OUYA team leveraged language and images as identity mechanisms to garner legitimacy within the video game development community.

These arguments, and example, suggest that an entrepreneur can establish and manage venture legitimacy, in the eyes of crowdfunding backers (dominated by a community logic) if they invoke clear *contribution claims* in their language, symbols and images reflecting the potential contribution of the venture to community.

#### 4.2. Associative mechanisms

Under the community logic, the legitimacy of a new venture is enhanced if the venture is associated with, or endorsed by a prominent community member (i.e. an individual that is a recognized and undisputed member of the focal community), or has explicit ties to a recognized community organization. This signals to potential resource providers (e.g. crowdfunding backers) that the venture is clearly part of the community and has, to some extent, been vetted and validated by others who share, and even espouse important community values and ideals.

The entrepreneurial team behind OUYA leveraged this mechanism. They collected direct quotes from prominent video game developers about the importance of what they were attempting to do, and they displayed those quotes on their Kickstarter campaign webpage. These prominent members of the developer community would be recognized by other developers and served as an associative legitimization mechanism for OUYA. These quotes described how valuable it would be to have "the first true open gaming platform that gives indie developers access to the living room gaming market" and how an "open game console that gives independent game developers the flexibility to experiment with their games and business models on the TV, is something that's long overdue." Seven direct quotes from prominent video game developers, including the developers of well-known games such as Minecraft, Prince of Persia and Triple Crown were featured.

These arguments and example suggest that an entrepreneur can establish and manage legitimacy for their venture, in the eyes of crowdfunding backers operating with a community logic, if they *form ties with prominent community members and associations* – a signal that they are embedded and valued in the community from which they hope to attract support.

#### 4.3. Organizational mechanisms

For new venture audiences operating with a community logic, new venture legitimacy judgments focus on whether the leader of the venture is perceived as a community insider i.e. resource providers will question whether the leader has actively participated in the community in the past. If not, they won't be perceived as part of the community "in-group", and audiences operating with a community logic may be biased against them because of their outsider status (Brewer, 1999). Therefore, one thing that a venture can do to garner legitimacy from such an audience is to have a leader in place who is a member of the community from where it is seeking support.

The second type of organizational legitimacy mechanism that may affect legitimacy judgments of a new venture is that of reported achievements or perceived development progress. As described earlier, some venture audiences may pay attention to a venture's level of professionalization (Khaire, 2010), to venture certification (Rao, 1994) or to financial achievements (Wiklund et al., 2010) as signals of legitimacy. A major question on the minds of resource providers with a community logic in a crowdfunding setting is whether the venture can deliver on its promises. Many crowdfunding projects are delayed (Mollick, 2014) and some never deliver their offering as intended, meaning that the resource providers never receive promised rewards in return for their support. Hence, developing and demonstrating a prototype is thus a mechanism that new venture teams can employ as they seek to establish legitimacy with crowdfunding backers (Mollick and Robb, 2016).

The OUYA team leveraged both the aforementioned mechanisms as they sought to establish legitimacy for their venture with the game developer community on Kickstarter. The two OUYA cofounders are described on the Kickstarter campaign page as community insiders in the game development community. Additionally, the OUYA leaders collectively contributed to 66 other Kickstarter projects, signaling their membership in, and commitment to, the Kickstarter community. To signal their progress with respect to the development and demonstration of a prototype, they reported that their prototype was "up and running", and provided clear product specifications, displaying pictures of what the final product looked like, and showed a demonstration of the game console in action in the Kickstarter video.

Taken together, these arguments and examples suggest that an entrepreneur can establish and manage legitimacy for a venture in the eyes of the crowdfunding community (operating with a community logic) if they ensure that people in leadership

positions are perceived as vibrant members of the community from whom they are seeking support, and if they demonstrate a prototype of the venture's offering.

Overall, the OUYA team appeared to effectively adapt and leverage identity, associative and organizational mechanisms to garner legitimacy with the game developer community on Kickstarter. 63,416 backers ultimately supported them with \$8,596,474 pledged to help bring the project to life. At the time of writing it was the fifth most successful project on Kickstarter. Leveraging these legitimization mechanisms may not be the only reason why the OUYA team attracted such significant support, but without them, they may very likely not have been perceived as legitimate and thus worthy of support.

## 5. Grant administrators, state logic and new venture legitimization mechanisms

Grant administrators that distribute government research funds (e.g. NIH, NSF, STTR, SBIR grants etc.) to new technology ventures tend to operate with a state logic as the dominant institutional logic. This is because their funding comes from the government and they operate to fulfill government mandates. Operating with a state logic means that grant administrators place value in the prestige and selectivity of government funding for science. They depend on bureaucratic procedures as a source of authority, and their identity is associated with their role as a steward of government funds (Thornton et al., 2012). Ultimately, they focus on knowledge advancement and the development of new knowledge as a public good, and support new ventures that seek to fulfill this aim. For a new venture to be perceived as legitimate in such a setting, an entrepreneur needs to utilize identity, associative and organizational legitimacy mechanisms that reflect a state logic.

### 5.1. Identity mechanisms

To achieve new venture legitimacy with an audience issuing government grants and operating with a state logic, a venture must be portrayed as having the potential to make significant scientific, technological or knowledge advancements. Therefore identity claims, symbols and images that identify a venture as contributing to knowledge, and providing technological breakthroughs will enhance a new venture's legitimacy with this particular audience. This might include "who we are" and "what we do" identity claims that signal high levels of technical expertise, and position a venture on the frontier of technology. It means invoking language, symbols and images that signify a commitment to basic science, and includes talking in more detail about fundamental scientific and technological questions than one would otherwise do (Sauermann and Stephan, 2013). Pahnke et al. (2015: 607) reported how one medical device entrepreneur described the process of applying for research grants to support the early development of his products:

...if I tell [reviewers] what I do to develop products, it doesn't sound like the kind of things they do in their labs. For example, milestones and the projects are not quite the same. You have to frame things in a way that looks a little more [like] basic science for them to wrap their heads around and get excited about what we're doing.

A statement from an NIH program administrator further reinforces this focus on basic science and knowledge advancement: "We are spending billions of dollars on projects—what are they producing? They produce knowledge. We fund inquiry" (Pahnke et al., 2015: 608). We broadly label the identity legitimization mechanisms that technology ventures may leverage when trying to establish legitimacy with such audiences as *technical claims*. This incorporates the portrayal of language, symbols and images claiming an identity that signifies a contribution to knowledge advancement and providing technological breakthroughs.

Taken together, these arguments suggest that an entrepreneur can establish and manage legitimacy for their venture, in the eyes of grant administrators operating with a state logic, if they invoke *technical claims* in their language, symbols and images, and clearly reflect a potential contribution to knowledge advancement.

### 5.2. Associative mechanisms

For audiences operating with a state logic, and evaluating ventures for the purpose of providing grant funding, ties with prominent research institutions (e.g. reputable universities) or with well-known research scientists may serve as important legitimacy signals. Research universities have well understood and fairly stable reputations (Di Gregorio and Shane, 2003); and such reputations are explicitly or implicitly meaningful to government agents making grant-funding decisions. The institution to which a venture team is affiliated serves as a signal of quality (Stuart et al., 1999). Affiliation with a high-status institution also provides a sense of familiarity that promotes legitimacy (Fisher et al., 2016). Hence, for a new venture to appear legitimate to a research and grant administrator operating with a state logic, an explicit tie to a reputable research institution will be particularly meaningful. As will a connection to a prominent scientist. Scientists accrue status and prestige in their fields through publications and citations (Fox, 1983). Administrators are likely to be familiar with the status of scientists and researchers in the field of the grant they are evaluating, and would notice if a venture has a connection to a person who is prominent in the field (e.g., reporting that a prominent scientist serves as an advisor or mentor). If a grant administrator notices that a venture has links to a high status scientist, they may attribute legitimacy to the venture on the assumption that the venture, and its methods and objectives, have been partially vetted by a well-known individual.

Taken together, these arguments suggest that an entrepreneur can establish their venture's legitimacy, in the eyes of grant administrators operating with a state logic, if they form ties with prominent research institutions and/or a high-status scientist. This

signals that the venture is embedded in an academic ecosystem, for the purpose of producing knowledge and developing scientific breakthroughs.

### 5.3. Organizational mechanisms

When assessing new venture legitimacy, audiences providing research grants dominated by a state logic, focus on the technical and academic qualifications of the organizational leader and the scientific achievements of the venture. If the person in the main leadership role in the venture does not have the expected academic qualifications (e.g., a Ph.D. from a reputable university) and the academic or technical track record (e.g., published papers in appropriate journals, patents filed in their name) the venture is less likely to be seen as a legitimate entity for funding. Such audiences are biased toward academic qualifications and credentials because to them, they signal an increased likelihood of scientific progress and knowledge advancement. It is also much easier, within the bureaucracy of government, to justify supporting a venture that is lead by a well-qualified academic, than to justify supporting an academic outsider or unknown individual. Additionally, scientific achievements of the venture are important. This may include focusing on patents held, or the winning of awards for research breakthroughs. Such achievements signal progress in a direction that is meaningful for grant makers operating with a state logic, and thus serve as legitimacy signals in such a setting. These criteria are emphasized in NIH documents produced to help teams access research grants, which specifically highlight the need to:

“showcase the knowledge, skills, and abilities of the key staff and consultants involved in your project. Reviewers are concerned that the investigators and proposed staff have the proper experience with the proposed techniques. They look carefully at the biosketches ...the biosketch section should include the aims of all past and current related research of key personnel as well as related publications. Beginning with the principal investigator, include the following for each key professional: (1) Name and title (2) Education - institutions, location, degree(s), year conferred, and field(s) of study (3) Roles in other relevant current or past research.”

[(NIH, 2016)]

Taken together, these arguments suggest that an entrepreneur can establish and manage legitimacy for their venture, in the eyes of grant administrators dominated by a state logic, if they ensure that people in leadership positions have the appropriate academic credentials and if they highlight scientific achievements of the venture and the team.

## 6. Angel investors, market logic and new venture legitimization mechanisms

Angel investors use their own funds to provide seed capital to new technology ventures. They operate in an environment dominated by a market logic, where personal capitalism and self interest underpin decision making (Thornton et al., 2012). Angel investors can be relatively autonomous in their decision making, and they garner their legitimacy, identity and authority from their past entrepreneurial success and the personal wealth that stems from that which is then used to make investments in startup ventures. Ultimately, they invest for personal economic returns and for the opportunity to participate in entrepreneurial endeavors (Shane, 2012; Van Osnabrugge and Robinson, 2000). For a new venture to be perceived as legitimate to angel investors, an entrepreneur needs to utilize identity, associative and organizational legitimacy mechanisms that reflect a market logic.

### 6.1. Identity mechanisms

Operating under a market logic, angel investors look for opportunities to generate economic returns on their investments (Shane, 2012), and to do this, they typically look for ventures that have an opportunity to disrupt a market. Disrupting a market is a way for new ventures to gain an advantage over market incumbents. Market disruption can come about when an entrepreneur launches a venture that ultimately changes the dynamics and rules of a market, making incumbent firms less competitive, as Netflix did in the DVD rental industry, disrupting Blockbuster and other incumbent DVD rental outlets (Gans, 2016). When entrepreneurs are successful at doing this, their ventures usually become very valuable and generate large economic returns for the angel investors that provided them with early stage seed capital (Van Osnabrugge and Robinson, 2000). Because angel investments are so uncertain and face extremely high risks of failure, angel inventors must look for opportunities to generate outsized returns (Shane, 2012). To do this they are drawn to ventures that have a disruptive identity. To be legitimate to an angel investor, an entrepreneurial venture should offer the promise of market disruption and hence its identity claims should reflect its disruptive nature (Becker-Blease and Sohl, 2015).

Because angel investors don't need to justify their choices to anyone else, they have high levels of freedom in their investment decisions. This means they can, and do, invest in ventures in which they have a personal interest, ventures with which they individually identify (Fisher and Kotha, 2015). Being a part of a venture that is intrinsically interesting is one of the main reasons, over and above generating economic returns, that angel investors do what they do (Van Osnabrugge and Robinson, 2000). Most angel investors have entrepreneurial experience, and if they don't, they certainly have business experience (Preston, 2011). They strive to leverage their business and entrepreneurial experience when making investments; hence they are drawn to ventures that align with their personal history. This not only allows them to more easily understand a venture, but it also allows them to provide valuable advice and facilitate introductions to others in a market arena (Fisher and Kotha, 2015). Additionally, angel investors get more excited about ventures

with which they feel a personal connection, and are hence more likely to provide resources to such ventures (Mitteness et al., 2012; Parhankangas and Ehrlich, 2014). Therefore, angel investors are drawn to ventures with identity claims that signal a clear connection between their history and identity and that of the venture. We refer to such claims as connection claims. Connection claims may specifically make reference to a link between a venture's identity and an angel investors' prior industry experience, education, upbringing, family situation or personal interests (Fisher and Kotha, 2015).

Taken together, these arguments highlight that an entrepreneur can establish and manage legitimacy for their venture, in the eyes of angel investors operating with a market logic, if they use language, symbols and images to invoke disruptive claims that highlight their venture's potential to disrupt a market, and if they invoke connection claims that reflect a connection between their venture and the identity and history of the angel investor.

## 6.2. Associative mechanisms

Angel investors are individuals operating in their personal capacity. Therefore they don't always have easy access to entrepreneurs with promising new ventures and must engineer ways to get access to investment opportunities. For this reason, angel investors must integrate into the entrepreneurial ecosystem in their local area (Stam, 2015; Preston, 2011) – this means forging relationships with venture accelerators (e.g., Techstars, Y Combinator) and other local entrepreneurial support organizations. Accelerators are entities that "support early-stage, growth-driven companies through education, mentorship, and financing. Startups enter accelerators for a fixed-period of time, and as part of a cohort of companies. The accelerator experience is a process of intense, rapid, and immersive education aimed at accelerating the life cycle of young innovative companies, compressing years' worth of learning-by-doing into just a few months" (Hathaway, 2016). Accelerators, and other similar organizations (e.g. incubators), often provide deal flow for angel investors.

The flipside of this is that accelerators (and other similar entrepreneurial support organizations) serve as legitimating entities for new ventures seeking angel investor funding. If a venture is associated with a venture accelerator, this signals to an angel investor that the venture is worthy of consideration (Hathaway, 2016). Many accelerators are not only difficult to get into, but they also provide early stage entrepreneurs with useful mentorship and learning opportunities, therefore helping them develop more investment worthy ventures and providing a pool of ventures that angels immediately consider for investment purposes (Cohen, 2013). Hence ties with a venture accelerator (or other similar entrepreneurial support organizations) can provide an important legitimacy signal among angel investors.

## 6.3. Organizational mechanisms

When assessing new venture legitimacy of a technology venture, angel investors dominated by a market logic, focus on the likelihood that the venture will be able to successfully take a technology to market. They typically provide resources to a technology venture when the venture is first looking for viable ways to commercialize a technological advancement (Becker-Blease and Sohl, 2015; Preston, 2011; Van Osnabrugge and Robinson, 2000) and they seek market returns from their financial contributions to a venture (Shane, 2012). To navigate the challenge of taking a new technology to market they look for a venture leader that can bridge the technological and market domains – a leader with an understanding of both camps that can link a technology advancement or research breakthrough with a solution to a customer problem so as to create a market (Powell and Sandholtz, 2012). We use the term commercialization expertise to describe the set of experiences and skills that facilitate the bridging of the technological and market domains. The entrepreneurial experience of most angel investors awakens them the challenges of technology commercialization, hence they assess a venture leader's ability to pragmatically navigate such challenges. Hence, if an entrepreneur is to ensure that a venture is perceived as legitimate by angel investors, they need to highlight their commercialization expertise and describe pragmatic ways for linking technological advancements with a solution to a customer problem so as to create a market (Powell and Sandholtz, 2012).

One clear way that a venture, seeking seed capital, can signal to angel investors that it is pragmatically overcoming their challenging of taking a new technology to market is by finding initial customers and garnering feedback from such customers (Blank, 2013; Ries, 2011). Early customers provide concrete evidence that a venture is bridging the technological and market domains and learning about what customers want and need. It is an early signal that the venture may be able to establish a much larger customer base and thereby generate valuable market returns for those that provided seed capital. Hampus Jakobsson, a prominent Swedish angel investor responded to the question of how one should seek angel investment for a technology venture by saying: "I have invested in 30+ companies and all that have succeeded have had at least a prototype but mostly a lot of customer/user interactions. You seldom need a lot of money to get here but just time - time to develop and time for user feedback" (Quora, 2016).

Taken together, these arguments and examples suggest that technology entrepreneurs can establish and manage legitimacy for their venture, in the eyes of angel investors operating with a market logic, if they highlight that people in leadership positions have the appropriate commercialization expertise. In addition, if they outline customer acquisition achievements and the learning that they have garnered from those customers, it will enhance their legitimacy to angel investors.

## 7. VCs, professional logic and new venture legitimation mechanisms

Venture capitalists are professional investors. They organize themselves into partnerships, raise funds from institutional investors or high wealth individuals and invest those funds in high growth startup ventures while working to guide entrepreneurs to exit (i.e. IPO, acquisition) with positive returns (Hellman and Puri, 2000). They take a management fee from investors for their services and are

accountable to their investors to generate returns. VCs operate with a professional logic, where personal capitalism is the dominant perspective—"the craft of a VC is embodied in individuals rather than in organizational hierarchies and procedures" (Pahnke et al., 2015: 599). They depend on their investment track record as a source of their own legitimacy, and leverage equity percentages in ventures as a source of authority (Fisher et al., 2016). VCs operate from a self-interested perspective and invest with a strong focus on generating economic returns, which benefits them and their fund investors. The opportunity to raise other funds is enhanced, if they can show good returns on previous investments (Petty and Gruber, 2011). Although the VC profession is highly exclusive, there is no formal certification, as there may be for other professionals (Thornton, 2004). Instead, "the VC profession is learned through socialization such as by apprenticeship and step-by-step promotion to partner. Building external networks, venture-management expertise, and often industry expertise is a key part of this socialization" (Pahnke et al., 2015: 600). For a new venture to be perceived as legitimate by individuals operating in such a setting, an entrepreneur needs to utilize identity, associative and organizational legitimacy mechanisms that account for the professional logic of VCs.

### 7.1. Identity mechanisms

VCs typically have deep business and entrepreneurial experience and expertise, and focus on generating economic returns from investments in new ventures. This means that they expect a venture to portray a competitive advantage. Competitive advantage is a perception that a venture "is implementing a value creating strategy not simultaneously being implemented by current or potential competitors" (Barney, 1991: 102). Such advantages are important because they facilitate venture growth, and provide for economic value creation down the line (Chemawat and Rivkin, 2006). To appeal to VCs operating with a professional logic, a new venture needs to thus convey language, symbols and images that reflect competitiveness. We call these *competitive claims* – claims that a venture is superior to others on some dimension that allows (or will allow) it to generate superior economic returns compared to others.

Dave McClure (2010), a Silicon Valley startup mentor and well-known investor, explained this on a slide as follows: "VCs REALLY like unfair advantages – a big market lead, superior technology, experienced team.... show how you're better or at least different." He goes on to show a picture of a person with a gun at a knife fight and another picture with a person with five aces in a hand of cards.

These arguments and example suggest that an entrepreneur can establish and manage legitimacy for their venture, in the eyes of VCs operating with a professional logic, if they invoke competitive claims that highlight their venture's potential strategic and marketplace advantage by way of language, symbols and images.

### 7.2. Associative mechanisms

The VC community is very exclusive – it is difficult to become a VC, and the number of people who operate as VCs is fairly small and geographically clustered around well known start up hubs such as Silicon Valley, Seattle, Boston and New York City (Chen et al., 2010). For this reason VCs operate in fairly tight, somewhat closed networks (Sorenson and Stuart, 2001). They tend to know one another, and place value in each other's decisions (Brander et al., 2002). Hence, one of the most valuable things that a venture can do to signal its legitimacy to venture capitalists is signal ties or associations to other VCs (Shane and Cable, 2002). This could be accomplished by inviting a known VC to be part of the advisory board of the venture. Such a tie signals partial legitimization by another member of the small, exclusive VC group, and that it is therefore appropriate for other VCs to similarly view the venture as legitimate. In summary, the most important associative mechanisms to appear legitimate to VCs operating with a professional logic, is to establish and signal ties to other VCs, to show that the venture is tied to the investor ecosystem.

### 7.3. Organizational mechanisms

VCs reportedly pay a great deal of attention to the team of people behind a venture when assessing its legitimacy. Arthur Rock, the legendary Silicon Valley VC, is reported to have remarked, "I invest in people, not ideas" (quoted in Sahlman, 1997); and recent VC investors often echo a similar sentiment. Chen et al. (2009) report that investors in general, and VCs in particular, hold implicit mental models or theories about the types of people that are appropriate to lead a startup. Research of VC evaluation of pitch decks, suggests that VCs spend the second most amount of time on the "team slide" (after the financials slide), further signaling the importance of peoples for VC legitimacy assessments (Eisenmann, 2015). VCs focus on the entrepreneurial and business credentials of a venture leader, they look for "entrepreneurs who have sold companies", according to McClure (2010). Additionally, for a venture to establish and maintain its legitimacy they expect it to set and achieve certain growth milestones. "Staged financing [by VCs] pushes ventures to complete milestones that relate to commercial innovation like a prototype (Series A), product and customer proof points (Series B), and market launch (Series C)" reported Pahnke et al. (2015: 603). Hence, if an entrepreneur is to ensure that a venture is perceived as legitimate by VCs, they need to understand such milestones, and report on the achievement of such milestones (Steier and Greenwood, 1995).

The venture capitalist Dermot Berkery (2008: 136–137) summarized these organizational legitimization mechanisms as follows: "Needless to say, all [VC] investors want to back entrepreneurs who have been successful before, a great highly relevant resume is a good place to start". He added, "The business plan needs to outline the milestones that can be reached in the investment round, and how these milestones will boost the value of the company. Many entrepreneurs don't do this explicitly. They should."

Taken together, these arguments and examples suggest that an entrepreneur can establish and manage legitimacy for their venture, in the eyes of VCs operating with a professional logic, if they highlight that people in leadership positions have the

appropriate entrepreneurial credentials, and if they outline milestones met, and still to be met, and how these will impact the venture.

## 8. CVCs, corporate logic and new venture legitimization mechanisms

Corporate venture capitalists invest in new ventures on behalf of corporations, to provide them with early insight into novel technologies, emerging products and/or potential acquisitions (Katila et al., 2008). CVC practices were adopted from VC practices (Gaba and Meyer, 2008), yet because CVCs use corporate resources and invest for the purpose of advancing corporate objectives, the logic underlying CVC behavior is different from that of VCs (Chesbrough, 2002; Dushnitsky and Lenox, 2005). As described earlier, CVC investors operate under a corporate logic, where the foundational perspective is managerial capitalism, the sources of authority are related to the corporate hierarchy and decision making tends to be slow and dispersed (Basu et al., 2011). Identity stems from bureaucratic roles, and norms relate back to corporate culture. The logic of investment is for strategy enhancement; CVC investors look for ventures that offer something to enhance the strategy of the corporation (Dushnitsky and Lenox, 2005). For a new venture to be perceived as legitimate in such a setting, an entrepreneur needs to utilize identity, associative and organizational legitimacy mechanisms that reflect a corporate logic.

### 8.1. Identity mechanisms

By operating under a corporate logic, CVC executives view themselves as scouts for new technologies, products, and potential acquisitions; they serve as brokers between business units and ventures (Wadhwa and Kotha, 2006). They tend to operate with knowledge of the corporation they represent – they know “what is going on, who is doing it, and where the corporation is going” – and seek to match that knowledge with investments in ventures (Pahnke et al., 2015: 604). They seek opportunities that may enhance the strategy and technology development of the corporation they represent. The identity mechanisms that therefore capture their attention are claims, symbols and images that reflect a connection to the corporation's strategy or technologies. We call these *complementary claims*. Such claims may reflect a direct link between the technologies of the venture and the technology or market of the corporation, they may reflect an opportunity to enhance one of the corporation's products or to bundle products in a value creating way. Claims may even be subtler, such as when the entrepreneurial team uses jargon and terminology typical to the corporation, and when symbols and images are shown that complement the corporation's brand. Ultimately, to enhance the legitimacy of a venture in the eyes of CVC investors, the venture needs to be portrayed in a way that suggests a fit with the corporation (Weber and Weber, 2007).

This need for a venture to fit with a corporate strategy came out strongly in a recent CVC practitioner survey (Feldman et al., 2014: 31):

Our interviewees have shared with us four categories of strategic investments, where the ventures they invest in align with either an implicit or explicit priority for impact. Generally, these businesses either directly complement a stated corporate internal strategy to improve production, supply chains, or develop new products/services – or they support the development of wider market ecosystems, such as new networks or experiments with new business models.

This suggests that an entrepreneur can establish and manage legitimacy for their venture, in the eyes of CVCs operating with a corporate logic, if they invoke *complementary claims* in their language, symbols and images that position their venture as fitting with, supporting and enhancing a corporation's strategy.

### 8.2. Associative mechanisms

Under a corporate logic, CVC investors are concerned about mitigating risk and managing the relationship between the venture and the corporation. One way that a venture can signal its ability to work with a corporation by forging ties with other corporations. Not only does this reflect a cooperative work ethic, but it also highlights that other corporate managers perceive the venture as legitimate, and makes it easier for a CVC investor to do the same (Franke et al., 2006). Furthermore, ties to the corporate ecosystem create the perception of the venture being a “known quantity” rather than an unknown outsider.

For example, Dacin et al. (2007: 175) described how MIPS Computer Systems, an early stage venture founded by a group of researchers from Stanford University, entered into the high-technology computer industry where competition for investment and partners is especially intense. Because they formed a coveted relationship with Digital Equipment Corporation (DEC), they garnered the necessary legitimacy to attract other partners such as NEC and Siemens (Gomes-Casseres, 1996). As Gomes-Casseres (1996: 103) noted, “the credibility that DEC provided to MIPS was important in attracting other allies.” Dacin and colleagues highlight that through prior and observable interactions with corporations, new ventures can develop “histories” (Gomes-Casseres, 1996; Gulati, 1995; Larson, 1992) “with respect to their ‘relational quality,’ which is the ‘extent to which partners feel comfortable and are willing to rely on trust in dealing with one another’ (Arino et al., 2001: 111)”.

This suggests that an entrepreneur can establish and manage legitimacy for their venture, in the eyes of CVCs operating with a corporate logic, if they form ties with other corporations. Such ties signal that they are embedded in the corporate ecosystem and that other corporations have vetted the venture.

### 8.3. Organizational mechanisms

Under a corporate logic, CVC investors look for entrepreneurs and organizational leaders that are likely to work well with their corporation and who will appear reasonable to other executives in the corporation. As such, they pay attention to the managerial experience of the organizational leader as a signal of new venture legitimacy. Someone with managerial experience may be perceived as one who understands the corporate environment, and hence fits with what CVCs perceive as a reasonable partner. Additionally, the structure and organization of the venture will be important to CVC investors, in the sense that under a corporate logic, they will look for ventures that appear to have appropriate organizational structures, roles and levels of professionalization (Khaire, 2010). A venture with a recognizable organizational structure, specified roles for the individuals in the venture, and professional processes will appear familiar to CVCs who, on a daily basis operate with such structures, roles and processes (Dushnitsky and Lenox, 2006). This fosters legitimacy; it fits with a corporate logic, where hierarchy and bureaucracy are viewed as sources of control and identity.

These arguments suggest that an entrepreneur can establish and manage legitimacy for their venture, in the eyes of CVC investors operating with a corporate logic, if they ensure that people in leadership positions have the appropriate managerial credentials, and if they construct and communicate professional structures, roles and processes within their new venture.

## 9. Technology entrepreneurs and new venture legitimization

The new venture legitimization framework described thus far, lays out focal legitimization mechanisms and how they are used to appeal to different new venture audiences. The conceptual implications of this model are fairly straightforward for entrepreneurs and ventures seeking resource support from just one audience group operating with a single dominant institutional logic. In such a case, the entrepreneur can theoretically adapt, and employ the legitimacy mechanisms that align with that audience's dominant logic. For example, an entrepreneur seeking support from VCs with a professional logic should make competitive identity claims, forge ties with other investors and stress entrepreneurial expertise and the achievement of growth milestones. However, most technology-based entrepreneurs depend on resource support from multiple audience groups with different institutional logics (Fisher et al., 2016). For example, a biotechnology venture may attempt to access funds from research grants controlled by government administrators operating with a state logic, while also seeking capital from VCs operating with a market logic (Maurer and Ebers, 2006). In this vein, Überbacher (2014: 686) emphasized that entrepreneurial ventures may be confronted by scenarios where they are exposed to competing legitimacy pressures from the “different types of audiences actually [making] legitimacy judgments and resource allocation decisions” (p. 684) or from the “mutual influence” (cf. Washburn & Bromiley, 2014) of audiences and actors, who are both relatively ‘active’” (p. 686) in the legitimization process. This creates a complex scenario in which an entrepreneur may need to depict a venture in different ways to different audiences. This type of scenario prompted Powell and Sandholtz (2012: 94) to refer to biotech founders as “amphibious entrepreneurs” because of their need to simultaneously manage the demands of the scientific and business community.

Because technology-based ventures are knowledge intensive entities requiring resources to scale, most technology entrepreneurs confront competing legitimacy demands as they seek resource support from diverse audiences with differing institutional logics. In this section, we draw from the research on framing to describe how technology entrepreneurs may use *emphasis framing* to deal with the aforementioned challenge of establishing new venture legitimacy with different audiences.

## 10. Emphasis framing and legitimacy management

The concept of framing is that changes (often small) in the presentation of an issue or entity then produce changes (sometimes large) in the interpretation and evaluations of that issue or entity (Chong and Druckman, 2007; Cornelissen and Werner, 2014). Framing effects account for significant variance in individual and collective interpretation of issues and decision-making in various research domains including psychology (e.g., Tversky and Kahneman, 1981), social movements (e.g., Snow and Benford, 1992), media studies (e.g., Scheufele, 1999) and political science (e.g., Nelson and Kinder, 1996). Frames are used as communication devices to organize everyday reality (Tuchman, 1978) by providing “meaning to an unfolding strip of events” (Gamson and Modigliani, 1987, p. 143; 1989) and by promoting particular definitions and interpretations of particular issues (Shah et al., 2002, p. 343). Framing is especially important for entrepreneurs because its effect can be much stronger for less-established, uncertain and dynamic issues (Henisz and Zelner, 2005), such as new venture legitimacy.

The act of framing involves adjusting “language or other symbolic gestures in context either to reinforce existing interpretative frames or to call new frames into being” – it is the social construction of meaning (Cornelissen and Werner, 2014: 197). Because framing involves language or other symbolic gestures, it is *temporary* and can be easily adjusted as the context changes. This is useful for situations where an individual needs to appeal to different audiences, with different concerns or perspectives. It is the temporary and adjustable nature of frames that make them particularly useful for technology entrepreneurs as they strive to legitimate their ventures with different new venture audiences – they can quickly and easily change their frames (language and symbols) as they present their venture to different audiences with differing institutional logics. Invoking different narratives to appeal to different new venture audiences is something that has emerged from prior new venture legitimacy research. Golant and Sillince (2007), for example, found that entrepreneurs tell distinct stories to different stakeholders, which nevertheless converged into an overall organizational narrative.

Chong and Druckman (2007) point out that framing research has mainly focused on two types of frames: *equivalency* and *emphasis* frames. "Equivalency frames trigger effects that occur when, different, but logically equivalent, phrases cause individuals to alter their preferences" (Cornelissen and Werner, 2014: 195). For example, Kahneman and Tversky (1984) demonstrated that when options are phrased in terms of potential gains, people tend to choose what they perceive as the less risky option (i.e., the sure gain). Conversely, when faced with a potential loss, people tend to choose the riskier option. Equivalency frames employ materially identical descriptions that rationally should not matter, but such frames clearly affect decision-making and judgment (see, e.g., Hodgkinson et al., 1999; Neale and Bazerman, 1985). Much of the past research on framing has focused on the counter-intuitive and often surprising effects of equivalence frames, yet researchers have paid less attention to utility and power of emphasis frames.

Emphasis frames highlight particular information to make an issue salient (Entman, 1993); they bring to the fore qualitatively different yet relevant considerations, which have the potential to shift audience judgments and perceptions (Chong and Druckman, 2007). Such frames have been shown to prompt audiences to switch between perceiving sanctions as primarily a business or ethical issue (e.g., Tenbrunsel and Messick, 1999), and have generated divergent responses to the same news story depending on whether public safety or freedom of speech are emphasized (e.g., Nelson et al., 1997).

Both types of frames – *equivalency* and *emphasis* frames – are impactful in influencing decision outcomes (Cornelissen and Werner, 2014), however entrepreneurs looking to acquire resources from different audiences, with divergent institutional logics will likely garner greater utility from *emphasis frames* which allow them to highlight "qualitatively different yet potentially relevant considerations" (Chong and Druckman, 2007: 114). Emphasis frames enable entrepreneurs to quickly and strategically adjust salient elements of their presentations, pitches, videos, documents, or meeting discussions to emphasize specific legitimacy mechanisms – including identity, associative and organizational ones – that align with the institutional logic of the focal audience.

For example, consider a computer scientist and an informatics researcher at a large research university who jointly develop an algorithm that connects unique forms of data in novel ways, to uncover important relationships as part of their ongoing research program.<sup>7</sup> After publishing some academic papers, they recognize that the algorithm has potential commercial applications in the areas of drug discovery, predictive healthcare and insurance risk management. They begin working with an MBA student and some advisors from the university's technology commercialization office to form a venture to explore ways to commercialize their algorithm. They form a small advisory board, establish a legal entity, and embark on the process of seeking financial resources from external sources as a means to develop and grow their venture. The venture could potentially access resources from diverse sources: Crowdfunding, National Science Foundation (NSF) or Small Business Innovation Research (SBIR) grants, angel investors, VCs, and corporate partners. The diverse funding sources are associated with different institutional logics. To be perceived as legitimate by individuals associated with each funding source the venture team should invoke different emphasis frames so as to align legitimacy mechanisms with the institutional logic of the individuals associated with each particular funding source. One week they may prepare an NSF grant application in which they use emphasis frames reflecting technical claims that highlight the knowledge breakthroughs and scientific advancements from their algorithm, while depicting their team as being part of a large, well-known research university and intricately describing the publishing records and academic credentials of the people involved. The next week they might be invited to pitch the venture to a group of VCs, during which they would do well to use emphasis frames that reflect the competitiveness of the venture, and highlight a well-known investor on their advisory board, while promoting past entrepreneurial achievements of people in the team, and specifying the growth milestones that have been achieved. Thereafter they may meet with a potential corporate partner, and reframe their venture with complementary claims reflecting how the venture can enhance the focal corporation's strategy, while describing links or ties to other corporations, and depicting the venture as a professional organization with a robust structure and recognizable managerial roles. The same venture is thus described in alternative ways, using different emphasis frames that align with the identity, associative and organizational legitimacy mechanisms associated with the different institutional logics of the various audiences.

Although the concept of emphasis framing can seem quite simple conceptually, the practical challenges associated with doing it may not be so apparent. Getting the language right for an NSF grant application is very intricate and requires a deep understanding of science and research. Forging a competitive identity that makes sense to VCs requires thought and experimentation and VC investors are not very accessible hence forming ties with them can take time and effort. Achieving specific growth milestones requires that the venture is somewhat successful which necessitates exceptional dedication and hard work. Researching and understanding how a venture may enhance a partner corporation's strategy can also be very difficult because of lack of information and insight into what the partner corporation is doing. Therefore, even though emphasis framing may seem conceptually simple to do, it can be difficult to execute because every emphasis frame needs some substance behind it. Also the need to change one's message in a short space of time, as an entrepreneur appeals to multiple types of resource providers simultaneously (not in the same meeting, but in the same time period) can make emphasis framing tough to execute.

However, if the leaders of a venture don't adopt different emphasis frames in describing their venture to different audiences, the venture may seem unfamiliar and unrecognizable, and ultimately illegitimate, to some of them. Venture leaders therefore need to recognize that garnering new venture legitimacy is not a "one-size-fits-all" approach. It is a strategic process of emphasis framing. Distinguishing between the different institutional logics of various new venture audiences provides a powerful way to understand how emphasis frames need to change for each type of new venture legitimization mechanism.

<sup>7</sup> This example is based on an actual, real-life scenario that has been fictionalized to protect the identity of the venture, and of the people involved.

## 11. Discussion, Contributions, and Implications

In this study we examine *how new venture legitimacy criteria vary across different new venture audiences, and how entrepreneurs can establish venture legitimacy among different audiences when seeking resources for a new venture*. To do this we draw on an extensive review of the prior research examining new venture legitimacy, from which we identify three primary mechanisms available to entrepreneurs to establish legitimacy for their new ventures: (1) identity mechanisms that account for how a venture is portrayed in its identity claims and espoused symbols and images; (2) associative mechanisms that reflect which organizations and individuals a new ventures is tied with, and (3) organizational mechanisms that account for the attributes of organizational leaders and espoused organizational achievements and success measures.

Next we draw on the institutional logics perspective to distinguish between different types of audiences that may support a new technology-based venture. We argue that a technology-based venture may depend on resources from diverse audiences including crowdfunding backers operating with a community logic, government agencies operating with a state logic, angel investors operating with a market logic, VCs operating with a professional logic and/or CVCs operating with a corporate logic. The different logics of various audiences cause them to focus on different factors as they make new venture legitimacy judgments.

Most new technology-based ventures will depend on support from different audience groups. This means that these entrepreneurs need to meet contrasting legitimacy criteria if their new ventures are to be perceived as legitimate by various audiences. We draw on the concept of emphasis framing to describe how entrepreneurs may do this.

The theory developed in this manuscript makes three specific contributions to the literature on new venture legitimacy and entrepreneurial resource acquisition (e.g., Navis and Glynn, 2011; Lounsbury and Glynn, 2001; Überbacher, 2014; van Werven et al., 2015). First it identifies, from prior literature on new venture legitimacy, the general legitimization mechanisms that entrepreneurs may leverage to manage the legitimacy of a new venture. Prior research tended to focus on one or two specific factors that were theorized to affect new venture legitimacy. We reviewed and synthesized the prior literature to identify, summarize and categorize the factors that entrepreneurs can control to influence new venture legitimacy assessments – the identity, associative and organizational mechanisms. In this way we identify, from the prior literature, what entrepreneurs might do to enhance the legitimacy of their ventures.

Second, the conceptual model proposed here accounts for audience variation in new venture legitimacy judgments. This is a specific gap highlighted in recent reviews of the entrepreneurial legitimacy literature – most prior literature does “not systematically distinguish the legitimacy judgments of the different audience types that a new venture faces” (Überbacher, 2014: 674). Here we leverage the institutional logics perspective (Thornton et al., 2012), to distinguish between different new venture audiences based on the dominant institutional logics that govern their decisions and behavior. Different institutional logics are theorized to account for alternative criteria for making venture legitimacy judgments. We draw specific connections between different audience types operating with distinct institutional logics and the nature of the legitimization mechanisms that account for their decisions.

Third, we propose a framework to demonstrate how entrepreneurs may respond when confronted with competing legitimacy demands. Drawing on framing theory, we highlight how entrepreneurs might use emphasis framing to manage legitimacy demands across audiences. This provides a perspective for responding to competing demands that is not only useful as a practical tool for entrepreneurs as they attempt to navigate the legitimacy demands of diverse stakeholders in complex institutional environments (Greenwood et al., 2011), but also as a launching point for future research on managing diverse legitimacy demands across multiple new venture audiences and as a launching pad for extending to different types of new ventures (beyond technology based ones).

This manuscript has implications for empirical research and conceptual development in the field of entrepreneurship. Most importantly, this manuscript highlights that it is not appropriate to treat the institutional environment as homogenous in terms of ventures' efforts to seek legitimacy, as has often been done in the past. A valuable aspect of the institutional logics perspective is that it provides nuance within the monolith that neo-institutional theory has threatened to become. The exploration of differences across audiences for new technology venture's resource-seeking efforts, as outlined in this manuscript, is both a theoretical and practical application and display of this. We call for an end to entrepreneurship research that treats the institutional environment as homogenous with respect to ventures' efforts to establish legitimacy.

The conceptual ideas we propose lend themselves to empirical testing. The new venture legitimization framework that we developed could be tested experimentally, using a conjoint approach. Members of different venture audiences (e.g. crowdfunding backers, grant administrators, angel investors, venture investors, corporate managers) could be asked to evaluate ventures with different configurations of legitimization mechanisms emphasized in different venture descriptions, so as to identify and isolate the factors that most influence different audience members operating with different institutional logics. Eye tracking techniques – monitoring eye movements of different audience members – may also provide an innovative way to identify and isolate what different audience members pay attention to, and focus on, when evaluating a new venture description. Additionally, it might be valuable to assess different identity, associative and organizational mechanisms conveyed by the same venture as it develops and seeks resources from different audience groups over time (e.g., Golant and Sillince, 2007). Since, it is more likely that it will attempt to appeal to an audience with a community and state logic earlier in its organizational lifecycles and then to an audience with a market, professional and corporate logic once it is more developed (Fisher et al., 2016). The purity of the proposed typology will obviously be violated the first time someone does empirical research on it. One of the issues that will likely arise is that certain resource providers will operate across multiple domains, and hence judge a venture using more than one kind of logic. For example, many ventures capitalists may also make angel investments in their personal capacity; therefore they bridge the market and professional logics of angel investing and venture capital. Some people involved in reviewing research grant applications may also participate on crowdfunding platforms, bridging the state and community logics of each environment. Also,

some corporate venture capitalists transition from traditional venture capital roles and they bring the professional logic of venture capital with them (Gaba and Meyer, 2008). Evaluating what happens when resource providers operate with multiple logics is an exciting opportunity for future research and may lead to theoretical insights about hybrid logics and legitimization mechanisms.

Beyond the opportunities for empirical testing, the model also has significant implications for theory advancement in the entrepreneurship domain. This manuscript provides a foundation for understanding and further theorizing about what entrepreneurs may do to establish and strategically manage new venture legitimacy. In this vein, future research might explore different framing tactics and assess the effectiveness of each tactic, under different conditions or contexts. Furthermore, future research may explore issues related to more substantive competing legitimacy demands in the ongoing management and operations of a new venture, stemming from pressure from different resource providers that have provided support. For example, issues may arise where a technologist tries to pursue the most technologically interesting path(s) within a venture, but business people and investors see other paths as more lucrative. Local communities may object to venture capitalists' desire to have promising firms relocate, or to outsource jobs to other locations. VCs and angel investors may want firms to move toward a liquidity event (e.g., IPO) without additional equity infusions that dilute their stake and CVC's may support additional patience and investment in hopes of a greater strategic advantage.

This manuscript also provides a basis for bringing the institutional logics perspective more centrally into the entrepreneurship literature, particularly with respect to the evaluation of new ventures. Future research could consider how different institutional logic categories (e.g., family or religious logics) drive not only new venture legitimacy evaluation, but also entrepreneurial behavior such as opportunity identification, resource mobilization, customer acquisition and entrepreneurial exit in a variety of different contexts (e.g., for social ventures, or for family businesses).

In conclusion, the conceptual frameworks developed here provide a meaningful theoretical base for intensifying and extending the research examining the strategic establishment and management of new venture legitimacy for entrepreneurial resource acquisition. They further provide a useful perspective for examining the resource provision decisions of entrepreneurial supporters, and for considering how entrepreneurs might respond to the challenge of competing legitimacy demands from diverse audiences.

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## Update

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### Erratum

## Erratum to “Legitimate to whom? The challenge of audience diversity and new venture legitimacy” [Journal of Business Venturing 32 (2017) 52–71]



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The publisher regrets that the printed version of the above article did not contain the executive summary. For the benefit of the readers, please find below the executive summary for this article. The publisher would like to apologize for any inconvenience caused.

#### Executive Summary

New technology ventures must be able to marshal resources and support from a diverse array of external actors for their survival and sustainability. For members of an external audience to provide a new venture with resources and support, they need to perceive the venture as legitimate (Aldrich & Fiol, 1994; Lounsbury & Glynn, 2011; van Werven, Bouwmeester, & Cornelissen, 2015; Zimmerman & Zeitz, 2002). It is therefore not surprising that new venture legitimacy has been the focus of a wealth of research over the past two decades. However, despite the breadth of research in this area, some significant gaps remain in our understanding of new venture legitimacy judgments; one of which stems from our limited understanding of how new venture legitimacy judgments differ across various new venture audiences (Überbacher, 2014). Since legitimacy assessments represent social judgments that reside in the eye of the beholder (Ashforth & Gibbs, 1990; Bitkine, 2011; Webb, Tihanyi, Ireland, & Sirmon, 2009), such assessments are audience dependent (Suchman, 1995). We therefore examine how technology entrepreneurs manage new venture legitimacy judgments across diverse audiences, so as to appear legitimate to the different audience groups that provide much needed financial resources for venture survival and growth.

To do so, we first identify and describe the different mechanisms by which entrepreneurs can establish new venture legitimacy across diverse audiences. We reviewed 70 articles on new venture legitimization published between 1986 and 2015 and identified a variety of things that an entrepreneur might do to enhance and manage the legitimacy of a new venture. We carefully ordered, linked and grouped all these mechanisms into three broad categories: (1) identity mechanisms that account for how a venture is portrayed in its identity claims and espoused symbols and images; (2) associative mechanisms that reflect which organizations and individuals a new venture is tied with, and (3) organizational mechanisms that account for the attributes of organizational leaders and espoused organizational achievements and success measures.

Recently scholars have highlighted that different new venture supporters likely operate with contrasting *institutional logics*, and thus an institutional logics perspective provides a theoretically meaningful basis to distinguish between different categories of new venture audiences (Pahnke, Katila & Eisenhardt, 2015). We account for the institutional logics that characterize different new venture audience groups and use this as a basis for uncovering how and why the legitimacy criteria for a new technology venture may vary depending on the audience.

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Specifically, we consider how identity, associative and organizational new venture legitimization mechanisms need to vary for different audiences providing new venture financing including: (1) crowdfunding backers operating with a community logic, (2) government agents operating with a state logic, (3) angel investors operating with a market logic, (4) VCs operating with a professional logic, and (5) CVCs operating with a corporate logic.

Finally, we draw from the research on framing to describe how technology entrepreneurs may use *emphasis framing* to deal with the aforementioned challenge of establishing new venture legitimacy with different audiences and thereby improve their chances of accessing critical financial resources for venture survival and growth. Emphasis frames enable entrepreneurs to quickly and strategically adjust salient elements of their presentations, pitches, videos, documents, or meeting discussions to emphasize specific legitimacy mechanisms – including identity, associative and organizational ones – that align with the institutional logic of the focal audience.

The conceptual frameworks developed in this study provide a meaningful theoretical base for intensifying and extending the research examining the strategic establishment and management of new venture legitimacy for entrepreneurial resource acquisition. They further provide a useful perspective for examining the resource provision decisions of entrepreneurial supporters, and for considering how entrepreneurs might respond to the challenge of competing legitimacy demands from diverse audiences.