LEGITIMATE DISTINCTIVENESS

VIA CULTURAL ENTREPRENEURSHIP

IN NEW VENTURES

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Abstract: "To be different or to be the same?" Taking an ambidextrous perspective, I argue that new ventures can acquire legitimacy through their identity claims that communicate both distinctiveness and conformity. Adopting a cultural entrepreneurship process model, I submit that both competitive distinctiveness and institutional conformity can individually serve as legitimating strategies in identity development by forming *propriety judgements* and that legitimacy mediates the relationship between distinctiveness, conformity and performance. Moreover, I suggest that these relationships will be contingent upon *validity judgments* of category appeal.

I develop theory around, and test, the relationship between competitive distinctiveness and pragmatic legitimacy and challenge the longstanding path-dependent assertion that prioritizes conformity. I argue that (1) competitive distinctiveness, by itself, can lead to legitimacy; (2) identity claims with high distinctiveness and low conformity can generate positive outcomes: and (3) the strength of competitive distinctiveness-performance and institutional conformity-performance relationships are contingent upon the level of category appeal. To test the hypotheses, I conduct two separate studies: (1) an experimental design, and (2) quantitative study of a social media (i.e., Twitter) dataset.

There are five main contributions of this dissertation. First, this study adds precision to the construct of legitimate distinctiveness by finding support for both distinctiveness and conformity can be associated with positive outcomes. It also enhances precision in the cultural entrepreneurship process by modeling and testing pragmatic legitimacy and normative legitimacy as mediators. Second, I answer the call from researchers to examine the effects of institutional and competitive isomorphism simultaneously by testing the effects of competitive distinctiveness and institutional conformity. Third, this study advances research by theorizing and testing the moderating effect of distinctiveness on conformity-performance relationship. Fourth, the findings also advance the categorization literature by providing evidence for the moderating role of category appeal on distinctiveness-performance as well as conformity-performance relationship. Fifth, by conducting two separate studies involving two robust designs utilizing datasets sampling two major stakeholder groups, and measuring individual perceptions (i.e., propriety judgements) as well as collective (i.e., validity judgements), I answer the call by researchers to integrate micro and macro perspectives of legitimacy.

TABLE OF CONTENTS

Chapter Page

Chapter Page

LIST OF TABLES

Table Page

LIST OF FIGURES

CHAPTER I

INTRODUCTION

"To be different or to be the same?" For over three decades, researchers have been tackling this question under various similar, yet conceptually different, labels including *optimal distinctiveness* (Brewer, 1991), *strategic balance* (Deephouse, 1999), and *legitimate distinctiveness* (Navis & Glynn, 2011). A common source of this "paradox" or "tension" –as it is frequently referred to—is the need for any organization, but especially new ventures, to gain legitimacy via isomorphism in order to survive and to grow, and simultaneously attain competitive advantage by differentiation. Although legitimacy is desired by all organizations, it is notably critical for entrepreneurial ventures (Navis & Glynn, 2011), and such legitimacy requires a "trade-off between the emancipating aspects of entrepreneuring and the accommodation of constraints" (Rindova, Barry, & Ketchen, 2009, p. 483), thus making new ventures a unique context to study legitimate distinctiveness.

While 'isomorphism legitimates' (Deephouse, 1996) is a well-accepted *legitimate* claim, importantly 'distinctiveness *also* legitimates' (e.g., Taeuscher, Bounchekn, & Pesch, 2020; van Werven, Bouwmeester, & Cornelissen, 2015). Although *legitimate distinctiveness* seems to capture this notion (i.e., the importance of both isomorphism and distinctiveness in legitimation process), it actually necessitates that legitimacy –through conformity—precedes distinctiveness for successful outcomes. Legitimate distinctiveness is acquired when entrepreneurial identities include both legitimating claims aligning with the institutions and distinctiveness claims positioning the new venture away from those institutionalized conventions (Navis & Glynn, 2011). In addition to the effect of the coexistence of distinctiveness and isomorphism on legitimacy, I argue that distinctiveness can also legitimate a new venture by itself. More importantly, in this study, I attempt to add precision to the construct of legitimate distinctiveness by addressing several theoretical nuances. First, I submit that both competitive distinctiveness and institutional conformity can individually serve as legitimating strategies in identity development by forming *propriety judgements* (Dornbusch & Scott, 1975; Bitektine & Haack, 2015; Tost, 2011) and that legitimacy mediates the relationship between competitive distinctiveness and performance as well as the relationship between institutional conformity and new venture performance. While cognitive and normative dimensions of distinctiveness have been studied (e.g., van Werven et al., 2015; Taeuscher et al., 2020), I develop theory around, and test, the relationship between competitive distinctiveness and pragmatic legitimacy. This is an important contribution because new ventures, in the search of legitimacy attainment, can focus on their distinct identities and benefit from their novel structures or innovations, and as a result they may acquire pragmatic legitimacy. Traditionally, it has been suggested that legitimacy can be acquired through isomorphism, by conforming to institutional norms and rules (Deephouse, 1996, 1999; Meyer & Rowan, 1977). An under-theorized, less-pronounced antecedent to legitimacy is distinctiveness. As new ventures aim to persuade stakeholders to transact, they use storytelling to communicate their identity; specifically, who they are, what they do, what they offer –and more importantly how these attributes differ from competitors. The establishment of this identity is crucial in overcoming the liability of newness, as it can facilitate legitimacy acquisition (Stinchcombe, 1965). As a new entrant to a category, new ventures can overcome this liability by not only isomorphism (i.e., conformity) generating normative legitimacy but also being distinct leading to pragmatic legitimacy. I suggest that the legitimate distinctiveness paradox can be better understood when we consider pragmatic and normative legitimacy outcomes. In addition, I also argue that competitive distinctiveness will moderate the effects of institutional conformity on new venture performance.

This dissertation investigates the effects of storytelling on the evaluator's perceptions of legitimacy (see Figure 1 for the model). Adopting a cultural entrepreneurship process model (Lounsbury & Glynn, 2001; Lounsbury, Gehman, & Glynn, 2019), I suggest that competitive distinctiveness and institutional conformity will generate new venture legitimacy which, in turn, will affect performance. I examine the individual as well as the interactive effects of competitive distinctiveness and institutional conformity claims on new venture performance. I analyze the effects of identity claims communicated via sensegiving (Gioia & Chittipeddi, 1991), and understood through sensemaking mechanisms (Weick, 1995, 2012); the former being active during new venture identity creation and the latter being the process through which audiences receive the claims to form judgements of legitimacy.

Moreover, I suggest that the relationship between distinctiveness, conformity and performance will be moderated by *category appeal* (Kennedy, Lo, & Lounsbury, 2010). *Category appeal* is a compelling moderator because it supports the *categorical imperative* (Zuckerman, 1999) which is influential for both organizational identity and legitimacy perceptions (e.g., Glynn & Navis, 2013; Wry & Lounsbury, 2013; Hsu, Hannan, & Koçak, 2009). The categorical imperative suggests that organizations must first conform to a category in order to be evaluated by the audience before they can differentiate themselves (Zimmerman, 1999, 2016). Category appeal (i.e., valence) is the extent to which the audience finds a category membership appealing (i.e., desirable) (Alexy & George, 2013). I argue that high and low levels of category appeal will differently influence the effects of distinctiveness and conformity on legitimacy perceptions, and on subsequent performance.

Through the legitimizing role of distinctiveness as well as the integration of category appeal as a moderator, I challenge the longstanding path-dependent assertion that prioritizes conformity. According to this view, conformity should necessarily precede distinctiveness, in other words, firms must first conform, then differentiate themselves in time, in order for a new venture to be judged legitimate and to survive (e.g., two-stage evaluation (Zuckerman, 1999, 2016)). I challenge the high prioritization of conformity. Specifically, I argue that (1) competitive distinctiveness, by itself, can lead to legitimacy; (2) identity claims with high distinctiveness and low conformity can generate positive outcomes: and (3) the strength of the effect of institutional conformity is contingent upon the level of category appeal such that the positive influence of institutional conformity on performance will be weaker when the category appeal is low. Category appeal is linked to category contrast which is defined as the degree to which a group of organizations differs from others external to the group and it is essential in the development of legitimacy (Kuilman & Wezel, 2013, p. 57). Low category contrast means fuzzy boundaries between various categories, therefore making the category less appealing. When a category is not very appealing, category membership will not be as valuable, therefore new ventures will benefit more from differentiating themselves from the other members of the category (Kuilman & Wezel, 2013; Negro, Hannan, & Rao, 2010). In other words, conformity will be less desired, and thus it will have a weaker effect on performance when the category appeal is low.

This study answers two research questions. The first question –a broader one—aims at drawing a more encompassing picture of legitimate distinctiveness and performance in new ventures. The second research question is designed to specifically investigate the accuracy of the widely held view that conformity matters more in the beginning of the lifecycle of new ventures, and that distinctiveness must follow only once legitimacy is achieved through high conformity. Therefore, I ask the following questions:

Research Question 1: How do new ventures gain legitimacy and improve their performance through distinctive, yet conforming identity claims communicated by storytelling and how does category appeal influence this relationship?

Research Question 2: Is conformity always necessary for legitimacy acquisition? Or can distinctiveness with low conformity still achieve positive results?

To answer these questions, I conduct two separate studies. The first study is an experimental design conducted through an online survey and it tests how different levels of competitive distinctiveness and institutional conformity communicated by new venture business plans influence investors' legitimacy judgements and their decision making (i.e., intention to invest) which is a measure of new venture performance (e.g., funding acquisition) (e.g., Elsbach & Kramer, 2003; Chen, Yao, & Kotha, 2009). The second study investigates how new ventures communicate their competitive distinctiveness and institutional conformity in social media, specifically on Twitter, and how their customers (i.e., existing or potential customers) judge their communication and make decisions which influence their performance on social media. The research model that is designed to answer these research questions is presented below in Figure 1.

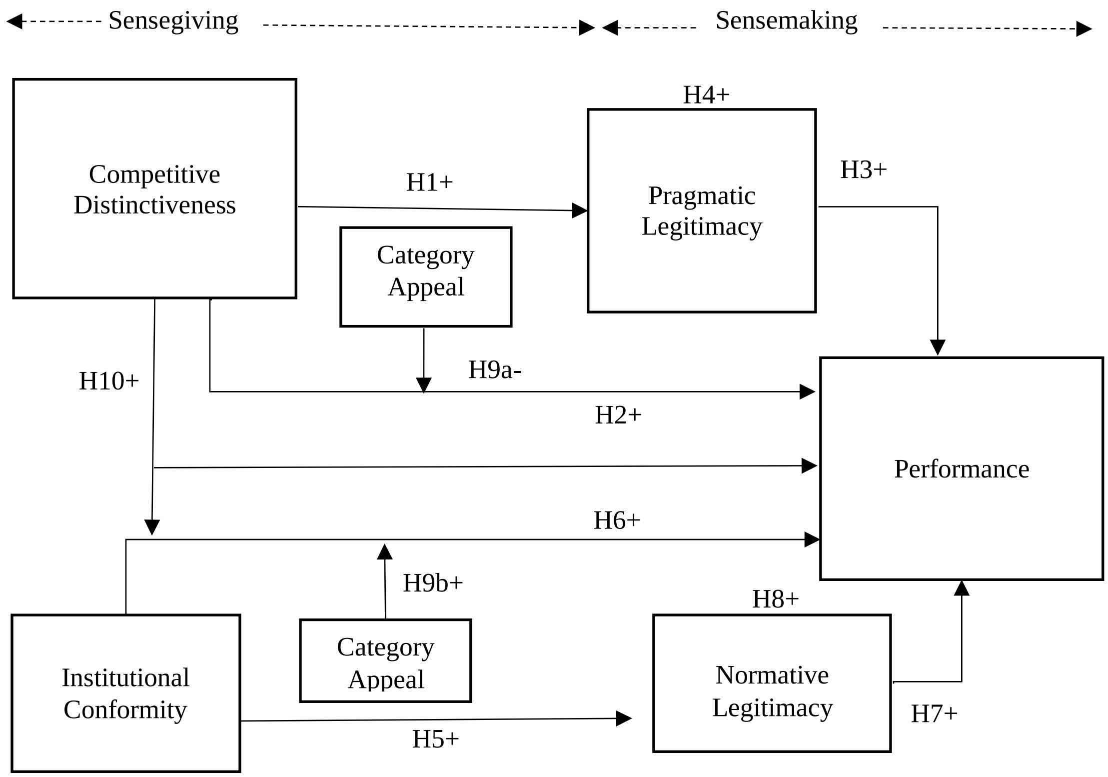

Figure 1. The Model for the Effects of Competitive Distinctiveness and Institutional Conformity on Performance through the Mediating Role of Legitimacy and the Moderating Role of Category Appeal

Among many classifications of legitimacy, one that is almost the most frequently utilized is Suchman's (1995) triad: pragmatic, moral, and cognitive. This study focuses only upon pragmatic and normative (i.e., moral) legitimacy. Cognitive legitimacy is excluded from the research model because although legitimacy can represent both active and passive support (Suchman, 1995), this study's objective is to understand the effects of distinctiveness and conformity on *active* judgements, rather than taken-for-granted, *passive* decisions. While pragmatic and normative legitimacy both involve active support, cognitive legitimacy offers passive support (Suchman, 1995), and is actually the absence of judgement (Powell &

Colyvas, 2008; Tost, 2011). In addition, time compression diseconomies which means that firms have to spend more to develop resources faster (Knott, Bryce, & Posen, 2003; Jiang, Beamish, & Makino, 2014) would influence the attainment of cognitive legitimacy since it takes time for new ventures to acquire this type of legitimacy. Since the unit of analysis of this dissertation is new ventures and I examine their communication before their funding or during the first year since their founding, this study focuses on pragmatic and normative legitimacy, rather than cognitive legitimacy. However, underlying mechanisms of legitimacy evaluations connected to cognitive legitimacy will be utilized for theoretical support as cognitive legitimacy is the ultimate taken-for-granted achievement for organizations.

"Pragmatic legitimacy rests on the self-interested calculations of an organization's most immediate audiences" (Suchman, 1995, p. 578). Put differently, pragmatic legitimacy is granted when audiences (i.e., stakeholders) perceive the organization and its offerings being beneficial and the organization being honest, trustworthy, decent, and having the best interests at heart (Suchman, 1995). These qualifications leading to pragmatic legitimacy are more related to distinctiveness than conformity, since they can serve as tools to make an organization different and unique. For instance, if a new venture has high quality products satisfying an unmet need in the market, it will likely acquire pragmatic legitimacy in the eyes of the stakeholders by being beneficial to them. However, need satisfaction will not necessarily grant normative legitimacy which in turn depends on whether the new venture conforms to norms within the institutional environment it operates. Therefore, I suggest that distinct qualities and offerings that are beneficial to audiences will generate pragmatic legitimacy while conforming to rules and norms will grant normative legitimacy to a new venture. While normative legitimacy (Alvarez, Mazza, Pedersen, & Svejenova, 2005; Navis

& Glynn, 2011) and cognitive legitimacy (e.g., Taeuscher et al., 2020; Zamparini & Lurati, 2017; van Werven et al., 2015; McNamara, Deephouse & Luce, 2003; McKnight & Zietsma, 2018; Fisher, Kotha, & Lahiri, 2016) have been subject to optimal distinctiveness studies, pragmatic legitimacy has been largely missing in the literature. I argue that distinctiveness and pragmatic legitimacy relationship requires more attention to understand optimal distinctiveness in new ventures.

A well-crafted identity story can reflect both institutional conformity and competitive distinctiveness. However, there are important nuances in the crafting of a story that would affect the success of legitimacy attainment, and eventually improve new venture performance. It is critical to blend in the right dosage of institutional conformity and competitive distinctiveness in the identity story recipe in order to satisfy the expectations of the audiences. Expectations matter (Zuckerman, 1999), as they set the thresholds of legitimacy for new ventures. These thresholds vary based on many criteria one of which is the category membership. Each category has a prototype that the audience members have a socially constructed understanding of, and they make their judgement of the others in the category in reference to the prototype. In other words, the category has its own identity and audiences build expectations about the members of the category to fit into this identity. Some categories may have stronger identities, while some may have weaker. Newer categories, due to uncertainty, would likely have weaker identities which would get stronger as the category gets more mature. Therefore, new ventures entering a newer category would need to conform to a weaker identity which would give them more room to differentiation rather than conformity. By differentiation, they would actually help the new category form its identity which in turn would become conformity reference points for the new members in the future.

Another aspect of a category membership is category appeal. When a category has high appeal, that means there are clear boundaries making the category distinct from others. Therefore, I suggest that category appeal will moderate the relationship between distinctiveness, conformity, and new venture performance.

This dissertation offers important contributions to research on cultural entrepreneurship and legitimate distinctiveness. First, I add precision to the construct of legitimate distinctiveness by addressing some theoretical nuances. I argue and find evidence that, in addition to conformity and separately from it, distinctiveness can also generate legitimacy and improve performance for new ventures. This study also advances cultural entrepreneurship process and legitimacy literature by modeling pragmatic and normative legitimacy as a mediator. While optimal distinctiveness is primarily focused on the role of distinctiveness in attaining cognitive legitimacy (Taeuscher et al., 2020), and the effect of distinctiveness on normative legitimacy was proposed (e.g., Taeuscher et al., 2020), this effect was not tested directly. By hypothesizing and testing the mediating effects of pragmatic and normative legitimacy, I investigate the neglected role of stakeholder perceptions in the optimal distinctiveness literature (Zhao, Fisher, Lounsbury, & Miller, 2017). This study investigates many aspects of a new venture business strategy to test the effects of distinctiveness and conformity on legitimacy and performance. By doing so, I answer the call to not to limit optimal distinctiveness to only one strategic convergence point (Zhao et al., 2017). In addition, this study offers insights on how legitimate distinctiveness may vary across time and space. Contrary to some findings in research that conformity matters in early stages and distinctiveness later, this study found evidence that both conformity and distinctiveness can be influential in early stages of the new venture.

Furthermore, a curvilinear effect between distinctiveness and performance was found similar to Deephouse's (1999) findings, however, this effect happens in the later years of the new venture. This finding advances strategic balance literature.

Second, I answer the call from researchers (e.g., Tan, Shao, & Li, 2013) to examine the effects of institutional and competitive isomorphism simultaneously by testing the effects of competitive isomorphism (through the competitive distinctiveness variable), and institutional isomorphism (through the institutional conformity variable). By treating these two constructs as separate constructs rather than a continuum, this study is better able to shed more light on how distinctiveness and conformity can coexist and what their differential effects are on legitimacy as well as on performance. Here, rather than adopting a measure of strategic similarity or strategic distinctiveness (e.g., Deephouse, 1999) on a continuum, I demonstrate how competitive isomorphism (i.e., the other end of competitive distinctiveness) and institutional isomorphism influence outcomes separately as well as simultaneously. This, I argue, is a more rational way to discuss and investigate the balance of the two constructs, as it is not as accurate to talking about the balance on a continuum.

Third, this study advances the legitimate distinctiveness (aka optimal distinctiveness as more commonly addressed) research by developing theory on and testing the moderating role of distinctiveness on the relation between conformity on performance. While most studies refer to the balance between distinctiveness and conformity, specifically along a continuum, this study also measures the moderating effect of distinctiveness. By doing so, this dissertation offers theoretical insights to researchers as well as practical guidance to entrepreneurs about how the communication of conformity through their identity would have differential performance outcomes when they also reflected their competitive distinctiveness.

Fourth, this study advances the categorization literature by developing theory and testing the moderating effects of category appeal on the relationship between distinctiveness, conformity, and new venture performance. By doing so, I also challenge the longstanding view that conformity must proceed distinctiveness. While it is widely accepted that conformity is more influential during the early stages of the new ventures' lifecycle and during the emergence of the category, and distinctiveness becomes more influential later as the category matures (e.g., Wry, Lounsbury, & Glynn, 2011; Hsu & Grodal, 2015; Kennedy, 2008), this study presents interesting and alternative findings to this view, thus advancing the research and theory around legitimate distinctiveness.

Fifth, answering the call from researchers (e.g., DiMaggio & Powel, 1991; Powell & Colyvas, 2008; Thornton & Ocasio, 2008; Zucker, 1991; Tost, 2011), this dissertation advances our understanding of legitimate distinctiveness by integrating micro and macro processes of legitimacy evaluations. At the micro level, individuals evaluate new venture legitimacy (Tost, 2011) while at the macro level, collective actors form legitimacy judgements and act upon them (Daft & Weick, 1984; Bitektine & Haack, 2015). Integrating these two dimensions as well as investigating multiple stakeholders, I test the effects of distinctiveness and conformity on legitimacy perceptions and performance considering various stakeholders (i.e., investors and customers) including both individual and collective judgements, therefore provide a better understanding of the paradox. I investigate how pragmatic and normative legitimacy judgements are made in the micro level by directly measuring stakeholder perceptions of legitimacy through an experimental design and validated scales, and how category appeal, which represents macro legitimacy judgments, influences the effects of legitimately distinctive identities on new venture performance.

CHAPTER II

LITERATURE REVIEW

Adopting a cultural entrepreneurship framework, which integrates organizational identity theory and institutional theory—specifically the legitimacy framework—I investigate how storytelling can be utilized to develop and communicate new venture identity claims that influence the propriety judgements of pragmatic and normative legitimacy. I suggest entrepreneurs can acquire legitimacy by positioning the new venture as being both distinct from their peers and conforming to the institutional norms (i.e., isomorphic). Moreover, I suggest legitimacy will play a mediating role between distinctiveness and new venture performance as well as between conformity and performance. I investigate this relationship through the mechanisms of sensegiving and sensemaking. I also examine how validity judgements (i.e., category appeal) influence competitive distinctiveness-performance and institutional conformity-performance relationships. In addition, I investigate how competitive distinctiveness moderates the relationship between institutional conformity and performance. Figure 2 representing the theory map is presented below.

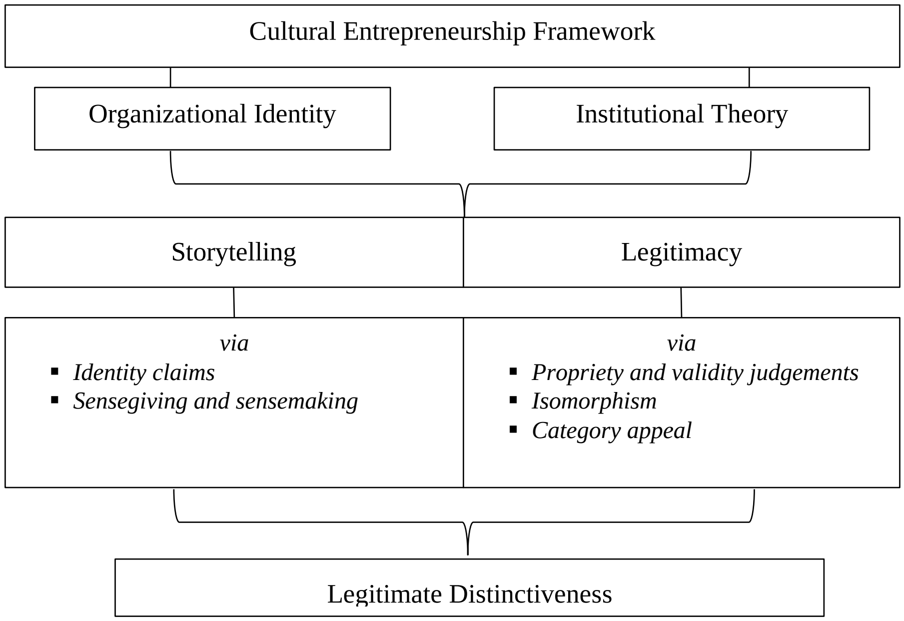

Figure 2. Theory Map

I begin the theoretical review section by presenting the cultural entrepreneurship framework and the theoretical rationale for adopting this framework as the basis for this dissertation. Next, I review the institutional theory and the organizational identity theory in accordance with their role within the cultural entrepreneurship framework. Finally, I present a review of legitimate distinctiveness literature and its evolution starting from the optimal distinctiveness and strategic balance literatures as legitimate distinctiveness has been introduced by Navis and Glynn (2011) as an alternative solution to optimal distinctiveness and strategic balance paradoxes. Specifically, legitimate distinctiveness argues that the new venture can both conform and differentiate simultaneously through the use of entrepreneurial identity claims and narratives. Here, I integrate the institutional theory and the organizational identity theory to develop a better understanding of the legitimate distinctiveness paradox.

THE CULTURAL ENTREPRENEURSHIP FRAMEWORK

Cultural entrepreneurship, which has become a widely used term within the entrepreneurship and management literatures (Gehman & Soublière, 2017), is defined as "the process by which actors draw upon cultural resources (e.g., discourse, language, categories, logics, and other symbolic elements) to advance entrepreneurship or to facilitate organizational or institutional innovation" (Lounsbury & Glynn, 2001, p. 545). In their seminal cultural entrepreneurship process model, Lounsbury and Glynn (2001, p. 549) proposed that "meaning-making" via storytelling can be utilized by entrepreneurial firms to create an optimally distinctive organizational identity. The ability to create a successful identity, though, depends on the audiences' perceptions; and each audience in each context possesses different expectations (Garud, Schildt, & Lant, 2014). Therefore, knowing their audiences and communicating an identity that will be approved by each audience is critical for entrepreneurs to achieve legitimacy (Giorgi, 2017). Correspondingly, entrepreneurs must tailor their identity, as well as its communication, to meet the expectations of their audiences in accordance with the "culture" in which they reside. Culture is clearly at the heart of the cultural entrepreneurship framework and it holds a dual function as it plays an integral role in the: (1) sensegiving processes driven by entrepreneurs as they communicate their legitimately distinctive identity through storytelling (Lounsbury & Glynn, 2001), and (2) sensemaking processes of the audiences as they evaluate the new ventures' identity claims and form legitimacy judgements (Navis & Glynn, 2011; Garud et al., 2014). Therefore, this study examines how legitimately distinctive identities are developed and how those identities influence legitimacy evaluations and new venture performance through sensegiving and sensemaking processes. To accomplish this, I focus on the perspectives / evaluations of the two groups of actors (i.e., investors and customers).

The original model of cultural entrepreneurship was expanded by Lounsbury, et al. (2019), and in this work the authors explicitly call for increased attention to: (1) institutional contexts, (2) multiple audiences, and (3) differing processes of sensegiving and sensemaking. This dissertation answers this call by (1) examining the effects of categories which represent various institutional contexts through the moderating role of category appeal as well as examining the effects of new ventures' business plans on investment decisions and their communication on social media, (2) investigating the role of identity communicating varying degrees of competitive distinctiveness and institutional conformity on legitimacy judgements of investors and on subsequent performance by considering multiple audiences including investors and customers, and (3) analyzing the communication and evaluation of identity claims through the lenses of sensegiving and sensemaking processes by conducting a content analysis of text (i.e., business plans and tweets) on the legitimacy perceptions of stakeholders and on new venture performance.

The cultural entrepreneurship theory draws predominantly upon two literature bases to develop its paradigmatic logic: neo-institutional theory (Greenwood, Oliver, Lawrence, & Meyer, 2017; Scott, 2014) and organizational identity theory (Elsbach & Glynn, 1996; Gioia, Schultz, & Corley, 2000; Glynn 2000, 2008, 2017; Glynn & Abzug, 2002). Neo-institutional theory emphasizes the role of isomorphism to gain legitimacy, whereas organizational identity theory suggests that organizations can benefit through claiming their uniqueness (Pedersen & Dobbin, 2006). By blending these two theories, the cultural entrepreneurship framework is an appropriate and compelling basis for understanding the apparent legitimate distinctiveness paradox. Therefore, the next section presents literature reviews of institutional theory and organizational identity theory in liaison with legitimate distinctiveness and cultural entrepreneurship framework.

INSTITUTIONAL THEORY

Institutional theory, specifically the legitimacy framework, is at the center of this study as it provides the conditions and arguments for how new ventures can simultaneously be distinct and conforming to achieve legitimate distinctiveness. While the focus of this dissertation is the legitimacy framework, a brief review of the evolution of the institutional theory will provide theoretical support for the arguments presented here.

According to the institutional theory, conformity to the institutional environments affects organizations' survival and legitimacy (Meyer & Rowan, 1977). Organizations may choose to adopt practices that may not necessarily be the most efficient alternatives, since what matters most is to achieve a generalized acceptance and to be perceived appropriate (i.e., being legitimate). Therefore, they may need to sacrifice some level of effectiveness in order to acquire legitimacy by conforming to collectively valued purposes, means, and goals (Deephouse & Suchman, 2008). Rational effectiveness as termed by Meyer and Rowan (1977) may coincide with pragmatic legitimacy, whereas conformity to collective values reflect normative legitimacy. The coexistence of the two organizational goals (i.e., rational effectiveness and conformity) provides the basis for this study's model while investigating the paradox of legitimate distinctiveness.

While institutional theory is prominent in various disciplines including political science (March & Olsen, 1989; North, 1990; Ostrom, 2010), economics (e.g., Williamson, 1981), and organizational studies, in this dissertation, I focus on sociological studies (e.g., Meyer & Rowan, 1977; Zucker, 1977, 1987, 1991; Jepperson, 1991; Suchman, 1995; Mizruchi & Fein, 1999; Seo & Creed, 2002) and organizational studies (DiMaggio & Powell, 1983;

Scott, 1995; Tolbert & Zucker, 1996; Phillips & Tracey, 2007; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011).

Durkheim ([1901] 1950) called sociology "the science of institutions (p. 1x). Weber (1978) focused on how cultural rules, including customary practices as well as legal constitutions and rule systems influenced social structures and social behavior (Scott, 1995). Institutional theory examines how structures, including schemas, rules, norms, and routines "are created, diffused, adopted, and adapted over space and time." (Scott, 2005, p. 2) Barley and Tolbert (1997) define institutions as "*shared rules and typifications that identify categories of social actors and their appropriate activities or relationships*. (see also Burns and Flam, 1987)" (p. 96). Institutional theory contends that institutions and actors are linked, and institutionalization is an ongoing, dynamic process (Barley & Tolbert, 1997). As such, new ventures start and grow in institutional environments, and therefore they are constrained and strengthened by them (Suchman, 1995). Thus, entrepreneurs must take institutions and institutional pressures into consideration in order to build legitimately distinctive identities for their new ventures.

Institutional theory is mainly composed of two streams: old and new (i.e., neo). Old institutional theorists followed a historical functionalist approach. They investigated institutions by highlighting the role of leadership and organizational norms and values (Scott, 1987). While some old institutional researchers examined organizations' ties with their environments (e.g., Selznick, 1949; Gouldner, 1954), they were mostly exceptions, as research focused largely on the internal workings of organizations (Mizruchi & Fein, 1999).

Building on the works of Selznick (1949) and Gouldner (1954), as well as Berger and Luckman (1966), Meyer and Rowan's (1977) seminal work marks the beginning of the new institutional theory (Mizruchi & Fein, 1999). There were three fundamental assumptions in the early neo institutional theory: 1) institutions are highly restricting; 2) organizations become homogenous in highly structured institutional contexts; 3) organizations that conform to their institutional context will attain legitimacy which in turn will increase survival and performance (Meyer & Rowan, 1977; Deephouse, 1999; Deephouse & Suchman, 2008; Greenwood et al., 2017). These assumptions have changed in the later periods of institutional theory (i.e., contemporary institutional theory) such that institutional contexts were recognized as complex systems with various institutional logics including multiple institutional and market forces exerting pressures on organizations to achieve legitimacy by conforming and also by being credible (Greenwood et al., 2017).

Culture is at the center of cultural entrepreneurship framework, and thus it is influential in new ventures building legitimately distinctive identities. Similarly, institutional theory emphasizes the role of culture on decision making and sees the cultural elements as the blueprints for organizations to adopt in order to fit certain systems of values, norms, and rules (Barley & Tolbert, 1997). Jepperson (1991) defined institutions as cultural elements and argued "institution represents a social order or pattern that has attained a certain state or property." (p. 145) and "institutions are socially constructed, routine-reproduced (ceteris paribus), program or rule systems." (p. 149) Early neo institutional theory treated culture and the institutions surrounding as constraints. The shift from treating culture as "a basket of homogenous norms and generalized value systems." (Lounsbury & Glynn, 2019, p. 8) in the old institutional theory towards multiple roles of culture being not only constraining but also enabling in the neo institutional theory (e.g., Dobbin, 1994; Meyer, Boli, & Thomas, 1987; Lounsbury & Glynn, 2019) is critical for new ventures. Institutional logics within the culture can be influential in constructing strategies for entrepreneurs (Thornton, Ocasio, & Lounsbury, 2012) such that new ventures must comply with certain institutional norms and rules. However, culture also serves as a toolkit (Swidler, 1986) for entrepreneurs to construct identities that will resonate with the audience (Lounsbury & Glynn, 2001). Thus, neo institutional theory is appropriate to understand the role of culture in the entrepreneurial process as well as to disentangle the legitimacy distinctiveness paradox. Therefore, in this study, I take a neo institutional perspective that focuses on legitimacy framework. A comparison of old versus early neo institutional theory is presented in Table 1 below.

Early neo institutional theory (1970s and beginning of 1980s) focused on legitimacy through institutional conformity (Greenwood et al., 2017) where organizations were constrained by the institutional environment which led them to become homogeneous (DiMaggio & Powell, 1983). Based on this logic, organizations could attain legitimacy and subsequently increase their performance by conforming to institutional rules and norms (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Scott, 1995). As neo institutional theory evolved, legitimacy construct received more attention, and more research was conducted to understand how legitimacy increased survival and performance. Moreover, institutional forces and pressures became more central than organizational homogeneity including coercive, normative, and mimetic pressures (DiMaggio & Powell, 1983). During this period (1980s), discussions around heterogeneity emerged as researchers recognized organizations' ability to manipulate their legitimacy. Eventually, neo institutional theory's focus moved away from the homogeneity of organizations more towards heterogeneity and scholars

Table 1. Old Versus Neo-Institutionalism

	Old Institutionalism	Neo-Institutionalism
What? *What is institutionalized?*	Organizations	Organizational forms and rules
How? *How does the institutionalization happen?*	Values, norms, and commitment	Taken-for-granted rules and scripts
Where? *Where does the institutionalization happen? Environment*	Local communities	Organizational fields or sectors / Nonlocal environments
Focus *What is the focus of this approach?*	Informal interactions	Conformity, Persuasiveness (early) Legitimacy (later)
Constraining role *What is the constraining role of institutions?*	Actors' self-interested actions and behavior	Organizational rationality through legitimacy and common understanding
Outcome *What are the benefits of institutions?*	Unique organizational character conforming to norms	Reduced variety and diversity within the environment
Change *Do institutions bring change?*	Organizations adapt to local environments	Homogeneity and Stability (early) Heterogeneity (later)
Organizational behavior *How is the organizational behavior formed?*	Organizational behavior is beyond anyone's control	Organizational behavior is the outcome of routine and taken-for-granted human behavior and institutions
Key concepts *What are the key concepts of this perspective?*	Commitment Change Norms and values Informal interactions Historical and functional routines	Legitimacy Isomorphism Taken-for-grantedness Formal rules Rational myths Institutional pressures

Source: DiMaggio & Powell, 1991; Hirsch & Lounsbury, 1997; Greenwood et al., 2017

focused more on understanding the role complex environments and institutional logics play on legitimacy and performance (Zhao et al., 2017). During this third period (1990s) of neo institutional theory, legitimacy was defined by Suchman (1995, p. 574) as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." Following this period, the effects of legitimacy on organizational performance including survival and growth were more frequently showcased through various empirical studies (e.g., Bansal & Clelland, 2004; Deephouse & Carter, 2005; Certo & Hodge, 2007; Pollack et al., 2012; Berrone, Fosfuri, & Gelabert, 2017).

NEO-INSTITUTIONAL THEORY: LEGITIMACY FRAMEWORK

Meyer and Scott (1983, p. 201) defined legitimacy as “the degree of cultural support for an organization –the extent to which the array of established cultural accounts provides explanations for its existence.” Various categorizations of legitimacy have been proposed throughout the development of the literature. Aldrich and Fiol (1994) focused on sociopolitical (i.e., normative legitimacy) and cognitive legitimacy. Suchman (1995) distinguished between pragmatic, moral, and cognitive legitimacy. Scott (1995) categorized legitimacy under three dimensions: cognitive, regulative, and normative. Ruef and Scott (1998) called for a deeper investigation of differing organizational elements, multiple audiences, and legitimacy types (Greenwood et al., 2017). In this study, I focus on pragmatic and normative legitimacy.

Pragmatic legitimacy is an outcome of “the self-interested calculations of an organization’s most immediate audiences.” (Suchman, 1995, p. 578) Normative legitimacy is attained when the organization displays congruence to norms (Scott, 1995) in the institutional environment. This congruence view roots from early institutional sociologists such as Weber (1978) and Parsons (1956, 1960). Normative legitimacy must not be confused with the normative isomorphism presented by DiMaggio and Powell (1983) who defined it as the congruence with formal professions (Deephouse & Suchman, 2008). To avoid such confusions, Suchman chose to use “moral legitimacy” instead of normative legitimacy. In this dissertation, I follow Weber’s (1978) normative legitimacy view which is not limited to only professionals (Suchman, 1995). Although legitimacy can represent both active and passive support (Suchman, 1995), this study's objective is to understand the effects of competitive distinctiveness and institutional conformity on active judgements rather than taken-for-granted, passive decisions. Both pragmatic and normative legitimacy can be examined as subdimensions of sociopolitical legitimacy (Bloodgood, Hornsby, Rutherford, & McFarland, 2017) and they can be seen as an outcome of cultural support (Meyer & Rowan, 1977). The focus of this dissertation is both pragmatic and normative legitimacy, and not cognitive legitimacy. The reason for this is while pragmatic and normative legitimacy are both active judgements, cognitive legitimacy is an outcome of passive support (Suchman, 1995; Tost, 2011). In addition, since it takes time to attain cognitive legitimacy, new ventures are usually unable to attain it in the very early stages of your lifecycle. Due to time compression diseconomies, it also requires more resources to acquire faster (Knott et al., 2003; Jiang et al., 2014). Since the analyses here focus on the early stages of the new ventures' lifecycle (prior to funding in the experiment and social media communication during the first year following their founding), cognitive legitimacy is not appropriate to examine in this study. Therefore, cognitive legitimacy is not included in the main research model containing the hypotheses of this dissertation.

Some researchers have treated legitimacy as a dichotomous variable arguing that an organization is either legitimate or not (e.g., Deephouse & Suchman, 2008). Deephouse, Bundy, Tost, & Suchman (2017) suggest four different types of legitimacy based on differing outcomes: accepted, proper, debated, and illegitimate. Within this newer classification, legitimacy can have differing degrees, ranging from the strongest, being "accepted" (i.e., no one can judge the legitimacy of an organization as it is being taken-for-granted) to "illegitimate" (i.e., being perceived as not legitimate). "Proper" is a positive outcome when stakeholders confer legitimacy to an organization via propriety judgements (Bitektine & Haack, 2015; Tost, 2011). “Debated” legitimacy occurs when there is disagreement among stakeholders about the organizational values and activities (Hirsh & Andrews, 1984; Meyer & Scott, 1983). “Proper”, “debated”, and “illegitimate” are compatible with this study as they involve active evaluations from the stakeholders. The next section will elaborate on how different types of legitimacy judgements (e.g., proper, debated, and illegitimate) occur and what factors influence them by introducing the notions of propriety and validity judgements.

Legitimacy via Propriety and Validity Judgements

Legitimacy evaluation takes place on two levels: micro and macro. At the micro level, individuals evaluate the new venture’s legitimacy (Tost, 2011) while at the macro level, collective actors form legitimacy judgements and act upon them (Daft & Weick, 1984; Bitektine & Haack, 2015). Considerable attention has been given to the role of individuals in the legitimacy processes (e.g., Drori & Honig, 2013; Huy, Corley, & Kraatz, 2014; Westphal & Deephouse, 2011) and research focusing on the role of collective legitimacy judgements has been expanding (e.g., Tost, 2011; Johnson, 2004; Johnson, Dowd, & Ridgeway, 2006; Bitektine & Haack, 2015; Bitektine, 2011; Berger & Luckmann, 1966; Golant & Sillince, 2007; Zimmerman & Zeitz, 2002; Zelditch, 2011). This dissertation integrates both micro and macro level dynamics of legitimacy since they both influence each other and subsequent outcomes (Tost, 2011).

Legitimacy is a multidimensional, cross-level construct (Díez-Martin, Prado-Roman, & Blanco-Gonzalez, 2013; Bitektine & Haack, 2015) with two dimensions: referential (individual-level propriety and collective-level validity) (Dornbusch & Scott, 1975; Johnson et al., 2006; Tost, 2011; Zelditch, 2011) and evaluative (i.e., types of legitimacy discussed earlier) (Ruef & Scott, 1998). Propriety is defined as "an individual's own judgement of the extent to which an entity is appropriate for the social context." and validity is legitimacy at the collective level, defined as "…the extent to which there appears to be a general consensus within a collectivity that the entity is appropriate for its social context." (Tost, 2011, p. 689) The former is the outcome of a micro process, while the latter is a macro level outcome. Legitimacy of a new venture can be evaluated by considering both the propriety judgements of individuals about the desirability of the new venture and its products/services, as well as the validity judgements of the authority figures (Díez-Martin et al., 2013).

Legitimacy has also been studied as a property, process, and perception (Suddaby, Bitektine, & Haack, 2017). *Legitimacy-as-property* view suggests that organizations can attain legitimacy by conforming to rational myths (Meyer & Rowan, 1977). Several measures were developed to measure different types of legitimacy including sociopolitical and cognitive (Aldrich & Fiol, 1994), and pragmatic, moral, and cognitive (Suchman, 1995). *Legitimacy-as-process* describes how organizations, through sensegiving and sensemaking mechanisms acquire legitimacy by influencing stakeholders' perceptions (Benford & Snow, 2000). *Legitimacy-as-perception* is a microprocess view focusing on cognitive legitimacy and collective sensemaking (Suddaby et al., 2017). Stakeholders evaluate the legitimacy of organizations by comparing them to the existing perceptions within their schemas. Contrary to legitimacy-as-property view, Scott (1995) argued: "Legitimacy is not a commodity to be possessed or exchanged but a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws." (p. 45) When an organization *acquires* complete legitimacy, no one can question any aspect of this organization (Meyer & Scott, 1983). Legitimacy is not something an organization owns, but rather what the audiences perceive about the organization. When individuals' legitimacy judgements become widely accepted, and institutionalized (i.e., collective), this collective judgement makes the organization non-questionable. This is the highest form of cognitive legitimacy (i.e., taken-for-grantedness) (Aldrich & Fiol, 1994).

This study takes the legitimacy-as-perception approach (e.g., Bitektine, 2011; Bitektine & Haack, 2015; Tost, 2011) and integrates it with propriety and validity judgements. While legitimacy-as-process may also be appropriate for this study, it is already embedded in the legitimacy-as-perception approach. Moreover, as this study focuses on stakeholders' judgements (Suddaby et al., 2017), it is more appropriate to adopt the legitimacy-as-perception approach. This approach also encompasses legitimacy-as-property, with the nuance that it is not a physical property, but rather property as "…judgement of the appropriateness of an organizational product, practice, or characteristic." (Suddaby et al., 2017, p. 463) Legitimacy is "a *relationship* with an audience, rather than a *possession* of the organization." (Suchman, 1995, p. 594) More importantly, legitimacy *is* a social judgement (Ashforth & Gibbs, 1990). In other words, it takes form "in the eye of the beholder" (Ashforth & Gibbs, 1990; Zimmerman & Zeitz, 2002). While legitimacy is seen as a collective judgement, it is actually an outcome of individuals' evaluations which are infected by their perception of the collective judgement (Bitektine, 2011; Tost, 2011, Colyvas & Powell, 2006). It is sort of a vicious cycle as in the beginning, there is no collective judgement, rather individual judgements get formed. As collective judgement is made through collective agreement, it starts influencing the individual propriety judgments. Therefore, it is important to take a micro perspective to legitimacy and blend it with macro perspective including validity judgements.

Validity is an institutionalized judgement which is influential for organizational legitimacy (Bitektine & Haack, 2015). Collective legitimacy judgements influence individual evaluators' assessments (i.e., propriety judgements). Even when individuals do not have any propriety reasons, they may feel like they must conform to the collective judgements influenced by policies and social norms (Thomas, 2005; Díez-Martin et al., 2013). "The more institutionalized the legitimacy judgement (i.e., the greater the validity), the greater the conformity and isomorphism in legitimacy judgements openly expressed by evaluators." (Bitektine & Haack, 2015, p. 52) In other words, as individuals are influenced by the collective judgements, when those judgements become more common, and eventually taken-for-granted (i.e., institutionalized), individual propriety judgements become more homogeneous, resembling more to the validity judgements. Validity judgements may represent the majority opinion as well as the authority opinion such as media, government, and judicial system. Bitektine and Haack (2015) refers to them as "judgement validation institutions" (p. 51). In this study, the collective judgement (i.e., validity judgement) is represented by the category appeal reflected by the revenue of the specialized industry category where the new venture operates in. It is a proxy for the strength of the validity judgement such that the bigger the revenue of the category is (i.e., the higher the category appeal is, the more common and the more accepted the validity judgements are.

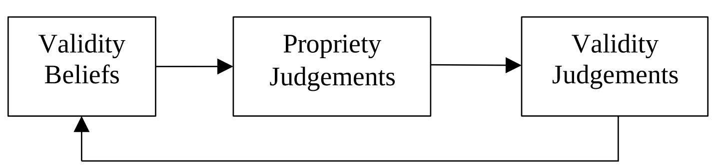

Figure 3. Propriety and Validity Judgements Process (Source: Adapted from Bitektine & Haack (2015)

Legitimacy via Isomorphism

Legitimacy generating from conformity (i.e., isomorphism) was first suggested by Weber (1978) when he introduced legitimacy into sociological theory (Deephouse & Suchman, 2008). Dowling and Pfeffer (1975) argue that “organizations are legitimate to the extent that their activities are congruent with the goals of the superordinate system.” (p. 123) Organizations ceremonially adopt institutionalized practices and structures in order to acquire legitimacy and survive (Deephouse, 1999; DiMaggio & Powell, 1983; Greenwood & Suddaby, 2006; Meyer & Rowan, 1977; Oliver, 1997; Scott, 1995; Pfeffer & Salancik, 1978). Conformity (i.e., isomorphism) to social norms and laws has been defined as the key factor for legitimacy acquisition by the early institutional theory (Tost, 2011; Meyer & Rowan, 1977), and it has been one of the main antecedents of legitimacy. Institutional environment requires organizations to act in such a way that is publicly or collectively perceived as appropriate, legitimate, or socially acceptable (Oliver, 1997). In time, firms become isomorphic due to the environmental pressures and constraints (Hawley, 1968). Conforming to collectively valued purposes, means, and goals reflect normative legitimacy (Deephouse & Suchman, 2008). During the early neo institutional era, the common argument was that conformity to institutional practices, or “rationalized myths” (DiMaggio & Powell, 1983) was more important than technical efficiency through improved structures (Meyer & Rowan, 1977; Meyer & Scott, 1983; Lounsbury & Glynn, 2019) since the former required legitimacy acquisition. However, in the1980s, scholars criticized isomorphism and started arguing that homogeneity was not very likely to occur due to the existence of the multiplicity of cultural meanings that can change in space and in time (e.g., Ferraro, Etzion, & Gehman, 2015; Thornton, Ocasio, & Lounsbury, 2012; Weber, 2005; Lounsbury & Glynn, 2019).

DiMaggio and Powell's (1983) isomorphism has been misinterpreted by many researchers for being synonymous with homogeneity. However, isomorphism is actually a strategic choice about the extent of similarity. As Glynn (2017) suggests, organizations make sense of the institutional contexts and pressures, and adapt, enact, and work upon them. They do not merely conform to them; therefore, homogeneity is one possible effect of institutional pressures (Greenwood et al., 2017). Accordingly, isomorphism should not be confused with homogeneity.

In the early institutional theory, conformity was considered to be restricting as it conflicted with technical efficiency (Meyer & Rowan, 1977; Zucker, 1987). As a way to avoid this conflict, ceremonial conformity was introduced (Meyer & Rowan, 1977). Zucker (1987) labeled it as "surface isomorphism" (p. 672). The arguments around legitimate distinctiveness I present in this study largely support this view in that firms can conform to institutional structures in such a way that conformity (i.e., isomorphism) will not generate a conflict with technical efficiencies, or distinct features and offerings. This is important as organizations' survival depends both on efficient technical solutions and institutional conformity (Meyer & Rowan, 1977).

DiMaggio and Powell (1983) categorized isomorphism into three groups: coercive, normative, and mimetic. Coercive isomorphism occurs through forced adoption; while normative and mimetic are more strategical choices such that firms can choose to exercise normative isomorphism to fit into the institutional environment by respecting social obligations, or they can practice mimetic isomorphism by imitating other organizations that are successful. This study integrates both normative and mimetic isomorphism as isomorphism is a strategic decision rather than pure conformity due to the institutional forces.

DiMaggio and Powell (1983) also suggest that a broader perspective includes two main categories of isomorphism: competitive and institutional (Fennell, 1980). Competitive isomorphism refers to the similarities in terms of firm characteristics and strategies, while institutional isomorphism is seen as the homogeneity of firms due to adapting the same prevailing practices within the institutional environment, they operate to prove their "social fitness" (Tan et al., 2013, p. 84), in other words, appropriateness. While they are two different types of isomorphism, it is argued that competitive isomorphism must be supplemented by the institutional view of isomorphism (DiMaggio & Powell, 1983). In this dissertation, I answer the call from Tan et al. (2013) to examine the effects of both types of isomorphism simultaneously. Correspondingly, I explore the effects of both types of isomorphism[1] simultaneously by investigating institutional isomorphism and competitive isomorphism through institutional conformity and competitive distinctiveness variables respectively.

In the following section, I review the organizational identity theory, which is the second main theory of the cultural entrepreneurship process model and discuss its role in detangling the legitimate distinctiveness paradox.

ORGANIZATIONAL IDENTITY THEORY

In their seminal article, Albert and Whetten (1985) define organizational identity as the shared beliefs between top managers and stakeholders about the central, distinctive, and enduring characteristics of an organization. Central characters are the essence of the organization which forms the "statement of identity which distinguishes the organization on

[1] I utilize different labeling for each type of isomorphism (i.e., 'institutional conformity' instead of institutional isomorphism, and 'competitive distinctiveness' instead of competitive isomorphism). By utilizing these labels that are common in the preponderance of literature, I am able to investigate the two constructs simultaneously as it was suggested (e.g., Tan et al., 2013).

the basis of something important and essential.” (Albert & Whetten, 1985, p. 266) Distinctive characters of an organizational identity show what makes the organization unique and different from its peers. Enduring characteristics represent sameness and continuity over time.

Organizations build their identities by incorporating different aspects of their strategy (e.g., their goals, values, beliefs, practices, and missions) (Scott & Lane, 2000). Organizational identity is influenced by institutional contexts, and can be used to respond to institutional expectations, and therefore can make organizations to be more receptive to institutional pressures than others (Greenwood et al., 2017; Glynn, 2017). Organizations' receptiveness and response to institutional pressures and expectations depend on how they interpret their environments (i.e., their sensemaking). First, organizations make sense of the institutional environment they are in, and then they respond to it by claiming an identity of who they are. They can be more receptive to pressures by conforming to them or less receptive by differentiating their identity from the others in the environment. While it is a strategic action, identity building is a social construction (Gergen, 1985), especially in the case of new ventures. More specifically, entrepreneurs communicate the new venture's identity through sensegiving, and stakeholders interpret those messages through sensemaking processes. Moreover, throughout this process, both actors are influenced by each other (Weick, 1995; Ashforth & Mael, 1996). Therefore, the effects of organizational identity on entrepreneurial success do not only depend on the effectiveness of the claims but also how they are perceived by their stakeholders.

Organizational identity has two dimensions –individual and collective. The individual dimension reflects the unique, enduring, and distinctive characters of the organization (Albert

& Whetten, 1985), and the collective dimension is formed by the shared cognitive and normative frames in various spaces (Glynn, 2008) and is influential on the individual identity. The former is the psychological; the latter is the sociological perspective (Lounsbury & Glynn, 2019). While the broader collective identity within the institutional environment is influential on the organization's individual identity, the organization can make strategic decisions about the extent of similarity to the collective identity to adopt (Pedersen & Dobbin, 2006). This flexibility allows for distinctiveness as new ventures can simultaneously be both similar at a high level (i.e., collective level) but different in the core aspects. They can differentiate themselves through their central features that may be both tangible (e.g., markets, competencies, and products) and intangible (mission, aspirations, culture, values, ideologies, norms, and management philosophy) (Few & Few, 2018). The extent of distinctiveness and similarity (i.e., conformity) to communicate is a strategic decision to achieve legitimate distinctiveness. While this decision is influenced by the strength of the isomorphism pressures within the institutional environment, new ventures can still display some level distinctiveness even when those pressures for conformity are high (Lounsbury & Glynn, 2001; Deephouse, 1996, 1999; Durand & Calori, 2006; Zuckerman, 1999, 2016; Zhao et al., 2017; Lounsbury & Glynn, 2019).

Organizational identity's level of distinctiveness may depend on several factors such as the amount of risk the new venture can tolerate, or the strength of the collective identity. A radical deviation of an organizational identity from the collective identity may cause new ventures to be ignored or excluded from consideration (Zuckerman, 1999), while pure conformity may make the new venture less likely to be noticed than the competitors (Barney, 1991, Lounsbury & Glynn, 2019). Therefore, it is important to consider the collective identity while forming the new venture's individual identity and making decisions about the degree of conformity and distinctiveness to communicate about the new ventures' identity.

Organizational Identity Claims via Storytelling

As organizations develop their identities, they must communicate them to their audiences. Whetten (2006) introduced the concept of organizational identity claims and defined it as "referents, signifying an organization's self-determined (and "self"-defining) unique social space and reflected in its unique pattern of binding commitments." (p. 220) Organizations use identity claims to communicate with their audiences about who they are and what they do (Whetten & Mackey, 2002; King & Whetten, 2008). Organizational identity claims may serve as a means to link the organization to its environment and influence its audiences' perceptions about the organization (Whetten & Mackey, 2002). In the process of identity building, self-determination is a key factor since the identity is about how the organizations want the others to see them. Organizations develop their self-definitions and intentionally claim them to their audiences in order to influence their perceptions and judgements (Foreman, Whetten, & Mackey, 2012). As a strategic choice, they can claim their uniqueness (Rindova, Pollock, & Hayward, 2006) as well as their similarity to others in the institutional environment (Glynn & Abzug, 2002). Navis and Glynn (2011) examined claims of legitimacy and claims of distinctiveness that entrepreneurs use. They found that identify claims first legitimate the category that the ventures operate in by communicating "what they do", then entrepreneurs use claims of distinctiveness communicating "who they are". I investigate how different levels of distinctiveness and conformity reflected through identity claims influence legitimacy perceptions of stakeholders and subsequently new venture performance. More specifically, I focus on identity claims that new ventures utilize to communicate who they are, what they offer, and why they should be preferred the various stakeholders for transactions.

Storytelling is a strong technique to communicate new ventures' identity claims (Hill & Levenhagen, 1995; Boje, 1991, 1995; Gephart, 1991, 1997; Valliere, 2015; Hansen & Kahnweiler, 1993). New ventures can benefit from storytelling to acquire legitimacy (Überbacher, 2014) "by framing the unknown in such a way that it becomes believable." (Aldrich & Fiol, 1994, p. 651) There are various means to communicate inductive, analogical, or metaphorical reasoning about the existence of new ventures and their appropriateness to generate positive legitimacy judgements (Cornelissen & Clarke, 2010). These communication means include advertising channels, social media posts, posters, websites etc. They can help communicate new ventures' completely unknown personality, goals, offerings, and eventually justify their *raison d'être* (Martens, Jennings, & Jennings, 2007; Rindova, Pollock, & Hayward, 2006; Czarniawska, 1997). They can also reflect the organizational culture and values (Hansen & Kahnweiler, 1993). While storytelling can be utilized both at the individual level (Lounsbury & Glynn, 2001) and the collective level (e.g., Navis & Glynn, 2010; Wry, Lounsbury & Glynn, 2011), in this dissertation, I focus on the effects of the individual (i.e., organizational) level storytelling on legitimacy evaluations.

Literature on organizational storytelling showcases communication among different audiences. Storytelling has been found to be influential in the entrepreneur-investor communication and investment decisions (e.g., Navis & Glynn, 2011). Accordingly, since new ventures lack historical background, investors, with very limited information about the ventures, try to make the right decision about whether to invest or not. One of the most important clues that drive the investors' sensemaking and ultimately their investment decisions is labeled as "institutional primes" (Navis & Glynn, 2011), which can be embedded within the stories of new venture identity claims. Competitive distinctiveness and institutional conformity can generate institutional primes which can manipulate the investment decisions.

Entrepreneurs set cognitive and pragmatic expectations by linking their stories with emerging growth stories. Garud et al. (2014) suggest there are two forms of expectations: (1) cognitive expectations from future comprehensibility (future characteristics of a venture and its environments, including its markets, technologies, and competition); and (2) pragmatic expectations from future benefits (outcomes such as ROI from financiers, career prospects and stock options for employees, and valuable products for customers). Entrepreneurs' identity claims must generate positive expectations and make sense to the stakeholders in order for them to evaluate the new ventures as legitimate. Therefore, entrepreneurs must develop coherent, comprehensible, meaningful, and appealing stories to relevant audiences (Lounsbury & Glynn, 2001, 2019; Fisher, Kotha, & Lahiri, 2016). For instance, when addressing to the investors, entrepreneurs may highlight the distinctiveness of their new ventures while still reflecting a moderate level of conformity. Whereas, while communicating in social media with existing or customers, they may choose to create a completely novel image with minimum conformance language as attention grabbing and perceived attractiveness would be more important in this communication. Moreover, while conformity within the identity claims increases comprehensibility of new ventures, stories that communicate distinctiveness are suggested to be beneficial. "Entrepreneurial story content must consist of claims that emphasize a core, distinctive, and enduring set of attributes, capabilities, and resources that lend strategic distinctiveness and competitive advantage." (Lounsbury & Glynn, 2001, p. 552) Therefore, a successful storytelling must include both conformity and distinctiveness, to a point that the audience will find the new venture meaningful and attractive.

SENSEGIVING AND SENSEMAKING

Sensegiving and sensemaking serve as the underlying mechanisms of the communication of new venture identity claims and the evaluation processes of the stakeholders. Sensemaking was introduced by Weick (1995) to explain how individuals and organizations give meaning to their environments through their existing knowledge, experience, values, and beliefs (Gephart, 1993; Thomas, Clark, & Gioia, 1993; Weick, Sutcliffe, & Obstfeld, 2005; Giuliani, 2016). It is an infrastructure of the decision-making process explaining how the audience makes sense of the reality (Giuliani, 2016). Sensegiving, on the other hand, is defined as a process of "attempting to influence the sensemaking and meaning construction of others towards a preferred redefinition of organizational reality." (Gioia & Chittipeddi, 1991, p. 442) It is used to influence the other actors through persuasive or evocative language (Dunford & Jones, 2000; Snell, 2002; Maitlis & Lawrence, 2007). Sensegiving is an interpretive process (Bartunek, Krim, Necochea, & Humphries, 1999) in which the sensegivers (i.e., entrepreneurs) cannot control the outcomes (Catasú, Mårtensson, & Skoog, 2009), however, they can manipulate them through storytelling. Entrepreneurs can benefit from sensegiving to normalize and legitimize (Gioia & Thomas, 1996; Valliere, 2015) the existence of their ventures.

Sensegiving and sensemaking are considered as major tasks for managers and entrepreneurs (Gioia & Chittipeddi, 1991) because these actors need to develop a new vision of their environment and communicate it to their audiences (i.e., investors and potential customers) (Hill & Levenhagen, 1995). Sensegiving and sensemaking processes are particularly important and challenging for entrepreneurs, as they operate in an environment of uncertainty (Hill & Levenhagen, 1995). Therefore, not only do they need to make sense of their environment, but also, by sensegiving, they need to help their stakeholders make sense of their new venture in the most desired way.

Entrepreneurs can develop and implement different strategies to manipulate their stakeholders' perceptions of the new venture by helping them make sense of their venture and their offerings (Pollack et al., 2012; Rutherford et al., 2018; Zimmerman & Zeitz, 2002). At first, they need to develop a vision of their environment (i.e., sensemaking) (Hill & Levenhagen, 1995) which will help them build their venture's identity. Entrepreneurs must envision the future, signal that vision, and influence their stakeholders' interpretations (Valliere, 2015). They can do so through their venture's identity. While constructing that identity, entrepreneurs must consider their audiences who will make sense of it. As Mills et al. (2010, p. 184) argue "…identity construction is about making sense of the sensemaker." Once constructed, organizational identity will be communicated through the sensegiving mechanisms (e.g., storytelling) (Hill & Levenhagen, 1995) to the selected audiences, which in turn will interpret and evaluate the identity through the sensemaking mechanisms.

One of the two main conditions for entrepreneurial identity to generate successful outcomes through sensegiving is cultural resonance (Lounsbury & Glynn, 2001, 2019). Cultural resonance is the alignment of the values and the beliefs of the new venture with the key audiences, and thus it can generate legitimacy (Cornelissen & Werner, 2014). Entrepreneurs must make strategic decisions about which aspects of their identity and their offerings to highlight and to hide (Giorgi, 2017) in their communication in order to achieve successful results, and positive legitimacy judgements. This strategic decision depends on who their target audience is. Consequently, the selected aspects of the new venture must align with the values and beliefs of the key audience in order to be evaluated positively.

Sensemaking is a complex system as it encompasses both individual and societal (i.e., collective level) meaning (Weick et al., 2005; Thurlow, 2007; Mills et al., 2010). Societal contexts that influence the meaning include institutional fields which are defined as a "collection of diverse, interdependent organizations that participate in a common meaning system." (Scott, 2014, p. 106) DiMaggio and Powell (1983) in their seminal article "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields" define an organizational field as "those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products." (p. 148) Categories and stories are elements of institutional fields and culture, fields, and they all influence the processes of sensegiving and sensemaking (Lounsbury & Glynn, 2019). Therefore, this study examines the interactive effects of propriety (i.e., individual) and validity (i.e., collective) judgements of legitimacy on performance within the sensegiving and sensemaking processes which are both individual and collective.

Research in sensegiving and sensemaking has emphasized the role of metaphors within entrepreneurship and organizational identity creation. Metaphors are defined as "mythic cognitive structures." (Edelman, 1977, pp. 16-17) Hill and Levenhagen (1995) discussed the process of the entrepreneurs' mental model development and examined the role of metaphors in providing a common language within the organization. Nicholson and Anderson (2005) explored myth and metaphor as sensemaking tools for entrepreneurs and they examined how culture is communicated as constructionist tools. Sensemaking metaphors "establish images, names and an understanding of how things fit together." (Hill & Levenhagen, 1995, p. 1057) Sensemaking includes conversations, documents, and storytelling (Boje, 1991, 1995; Gephart, 1991, 1997; Valliere, 2015). Søderberg (2003) analyzed the role of narratives within organizational sensegiving and sensemaking processes. Gioia and Chittipeddi (1991) showed how a university president used sensegiving tactics to generate change within the university. Dunford and Jones (2000) examined how narratives were used for sensegiving during strategic change in organizations. Snell (2002) demonstrated that leaders successfully utilized narratives as sensegiving tools. Maclean, Harvey, & Chia (2012) examined how business leaders made sense of and narrativized their experiences of building their careers and how they legitimized them through storytelling. This dissertation focuses on the sensegiving (communicating the identity) and sensemaking (interpreting the identity) processes of entrepreneurs and their stakeholders. Therefore, while the identity construction process (i.e., sensemaking prior to communicating the identity) is not analyzed, it is still embedded within the discussions of legitimate distinctiveness.

LEGITIMATE DISTINCTIVENESS: A REVIEW OF LITERATURE

The tension between strategic management's "be different to gain competitive advantage", and institutional theory's "be similar to fit in and to be appropriate" has been tackled by the research streams of optimal distinctiveness and strategic balance. Deephouse (1999) introduced the term "strategic balance" as a solution to this "paradox" and argued that organizations can manage to be different and legitimate at the same time, but the key to success is to be "as different as legitimately possible" (p. 147). The strategic balance perspective suggests that firms with a moderate level of strategic similarity (or strategic deviation) acquire the highest levels of performance compared to those with high and low levels of strategic similarity (Deephouse, 1999). Supporting studies demonstrated the positive effects of moderate levels of product differentiation (e.g., Robinson & McDougall, 2001), IT investment (e.g., Griffiths & Remenyi, 2003), business models (e.g., Kobayashi et al., 2018), technological diversification (e.g., Pan, Chen, & Li, 2019), innovative activity (e.g., Roberts & Amit, 2003) on performance. Other studies exhibit contradicting results. Kale and Arditi (2003) found that, while distinctiveness had a positive effect, conformity had no effect on performance. Cennamo and Sentalo (2013) found a U-shaped relationship between distinctiveness and performance such that low or high distinctiveness resulted in the best performance results. Jennings, Jennings, and Greenwood (2009) found a U-shaped relationship between employment-system novelty and organizational productivity, meaning high level of distinctiveness resulted in the highest performance.

Optimal distinctiveness theory was originally developed by Brewer (1991) within the social psychology field. Brewer argues that individuals have competing needs of assimilation and uniqueness. The assimilation need can be satisfied by integrating into a group, whereas uniqueness need can be satisfied by differentiation between groups, and optimal means equilibrium between those needs. Optimal distinctiveness is not a state but is in constant flux influenced by the opposing forces of conformity and distinctiveness (Brewer, 1991). While optimal distinctiveness has been used as an umbrella concept within the stream of this research, there has been a wide range of varying and rather confusing terminology adopted related to optimal distinctiveness within the literature. Table 2 below presents some of this terminology.

Table 2. Terminology Related to Optimal Distinctiveness Paradox

Terminology	Citation
Optimal Distinctiveness	Brewer, 1991
Strategic Similarity	Deephouse, 1999
Strategic Conformity	Finkelstein & Hambrick, 1990
Competitive Conformity	Chen & Hambrick, 1995
Legitimate Distinctiveness	Navis & Glynn, 2011
Strategic Categorization	Vergne & Wry, 2014

Source: Adapted from Zhao et al. (2017)

In this dissertation, I use the term "legitimate distinctiveness" (Navis & Glynn, 2011) to refer to the coexistence of distinctiveness and conformity. While all the terminology listed in Table 2 above is interrelated, the main reason for adopting this term in this dissertation is because legitimate distinctiveness focuses on entrepreneurial identity, and discursive strategies to explain the interworks of distinctiveness and conformity. The rationale for choosing this terminology is explained in the following. First, the original optimal distinctiveness theory (Brewer, 1991) and the firm level optimal distinctiveness studies within the management literature do not exactly share the same arguments. To be exact, while Brewer's (1991) optimal distinctiveness theory is based on the competing needs of individuals to be assimilated into a group yet be different from the others in *other* groups, organizational level optimal distinctiveness tries to solve the tension between similarity and difference only within the group (i.e., among competitors or peers), therefore being inconsistent with the original theory. Second, individual level and organizational level studies differ from each other, such that organizational optimal distinctiveness does not need to originate from *organizations' needs* but from *external pressures to conform* (e.g., institutional pressures) and *to be different* (e.g., market pressures). Third, Deephouse's (1999) theory has been criticized for developing the optimal distinctiveness at a single convergence point (e.g., Zhao et al., 2017). His work lacks a comparison between conformity and similarity (or distinctiveness) in various aspects of a firm as the unit of analysis is assets. Lounsbury and Glynn (2019) criticize Deephouse's (1999) work and most of the optimal distinctiveness literature for analyzing organizational deviation focusing on a single dimension (p. 33).

Moreover, within the strategic balance and optimal distinctiveness literatures, conformity and distinctiveness have been studied by scholars without truly addressing what their reference points are (for an exception, see Tan et al., 2013). The reference points may be institutional forces, competitive forces, audience expectations, strategic groups, industry, etc. Is conformity about being similar to institutional norms or to competitors? Is it about conforming to industry standards, quality, price range, benefits offered? Are new ventures expected to differ from the competitors within their category or industry or from other categories? For instance, an investor may expect to determine whether the new venture is aligned with the institutional norms as well as whether it offered anything new or anything better than the others. Both of these expectations will be influential on the investor's judgement of new venture legitimacy and in turn on his/her decision to invest. Following Tan et al. (2013), this dissertation addresses this confusion by utilizing competitive distinctiveness and institutional conformity as the main constructs of interest. It is important to note that competitive isomorphism implies a low level of competitive distinctiveness. Therefore, this study answers the call from Tan et al. (2013) to simultaneously investigate the effects of both types of isomorphism (competitive and institutional), and thus contributes to the optimal distinctiveness and legitimate distinctiveness literatures.

In addition, while the strategic balance literature defines the solution for the tension between distinctiveness and conformity as a tradeoff, such that firms can be different enough from their competitors but similar enough to them to be recognizable (Zhao et al., 2017), others (representing an ambidextrous perspective) suggest that there should not necessarily be a trade-off as both high level of competitive distinctiveness and institutional conformity can generate successful outcomes. Barlow, Verhaal, and Angus (2019) define optimal distinctiveness as being "typically conceptualized as a balancing act, akin to a zero-sum proposition, where greater differentiation inherently indicates less conformity." (p. 1220) Contrary to this view, Tan et al. (2013) argue that "institutional conformity does not hinder the possibility of competitive heterogeneity." (p. 83) Following Tan et al. (2013), in this dissertation, I adopt the ambidextrous view to strategic balance, which suggests that "capable firms enjoying both high levels of conformity and high levels of differentiation outperform others." (Guo, Tang, & Su, 2014, p. 667) Guo et al.'s (2014) empirical findings suggest that regulatory legitimacy (reflecting conformity) and entrepreneurial orientation (reflecting differentiation) together lead to lower performance. While their study provides support for the ambidextrous view, they do not directly measure distinctiveness, nor do they focus on communication or identity claims. Therefore, this dissertation departs from their in considerable ways.

In sum, while optimal distinctiveness and strategic balance define similarity and differentiation as two *opposing* needs, they do not necessarily have to be opposing, but rather they can be complementary and reinforcing (e.g., Kishida, Schulze, & Deeds, 2005). I argue that greater differentiation may coexist with greater conformity to achieve successful outcomes, as well as high differentiation and low conformity may lead to higher performance, and therefore examine the coexistence and balance of institutional conformity and competitive distinctiveness.

A comparison of optimal distinctiveness, strategic balance, and legitimate distinctiveness is presented in Table 3 below.

Fisher et al. (2016) suggest that there are different levels of legitimacy thresholds depending on the organizational life-cycle stages. Similarly, McKnight and Zietsma (2018) argue that firms need to achieve a legitimacy threshold, which is a minimum level of legitimacy needed to survive in order to really differentiate themselves. This means that as long as firms hold a certain level of legitimacy that make them acceptable and/or appropriate, they can then put their efforts more aggressively into distinctiveness. This is also in line with Zuckerman's (2016) two-stage valuation model which highlights the role of conformity and

Table 3. Comparing Different Approaches

	Optimal Distinctiveness	Strategic Balance	Legitimate Distinctiveness
Source of Distinctiveness	Internal needs	Externally driven basis for differentiation to favor audiences	Externally driven basis for differentiation to favor audiences
Context	Intergroup & intragroup differences	Intragroup differences	Intragroup differences
Differentiation versus Conformity	Uniqueness and assimilation are opposing needs	Differentiation and similarity are opposing needs	Distinctiveness and conformity can exist simultaneously
Audience	Multiple audience.	Multiple audience	Single audience
Key Arguments	There is a tension between assimilation and uniqueness needs	Be as different as legitimately possible (Deephouse, 1999)	Conformity doesn't need to hinder heterogeneity (Tan et al., 2013)
	Trade-Off	Trade-Off	No Trade-Off
	Moderate level of differentiation is the best for successful outcomes	Moderate level of differentiation is the best for successful outcomes	Both high distinctiveness and high conformity can result in successful outcomes

Source: Brewer, 1991; Zuckerman, 2016; Navis & Glynn, 2011; Zhao et al., 2017

suggests that the path to distinctiveness starts from conforming to a category. According to this model, in order to be given a chance to be evaluated, organizations must first conform and belong to a category, if not, they risk being excluded and perceived as illegitimate.

Therefore, distinctiveness can only be beneficial once the audience finds an organization legitimate for being a member of the category and for conforming to the expectations about that category membership. Several studies suggested that organizations must conform to a certain category first, then differentiate themselves from their peers (e.g., Porac, Thomas, Baden-Fuller, 1989, 2011; Porac & Thomas, 1990; Porac, Thomas, Wilson, Paton, & Kanfer, 1995). Navis and Glynn (2010) found that only after a market category acquires legitimacy, organizations move their attention to being distinct. Hargadon and Douglas (2001) suggested that when introducing product innovations, it is more important to emphasize their similarities to existing products, rather than their differences. Therefore, being similar can be helpful for new ventures to be considered for evaluations and selections.

One key aspect of Zuckerman's (1996) two-stage model is that it allows pressures for both conformity and distinctiveness from a single audience. In other words, the same audience may force the new venture to be more distinct in some respects while pressuring it to conform more in others. This is an important distinction of the two-stage evaluation model from the strategic balance perspective.

As evaluators make judgements about the legitimacy of a new venture, they may expect the organization to display both conformity and distinctiveness. Therefore, the level of expectations for conformity and distinctiveness will depend on who the audience is. For instance, a consumer may have lower expectations of conformity as he/she may be more interested in the benefits and advantages offered by the new venture. This may require more differentiation from the new venture as the audience favors distinctiveness over conformity. On the other hand, a banker may expect more conformity due to the higher level of risk for nonconforming new ventures. This is in line with the notion of "valuation risk" presented by

Zimmerman (2016, p. 14). According to this notion, entrepreneurs must determine the valuation risk they are facing while addressing different audiences, since each group of audience will value conformity and distinctiveness differently, with varying weights. If the valuation risk is high, then the entrepreneur will likely implement a low dose of distinctiveness. Therefore, knowing their audiences and their expectations is crucial for entrepreneurs in determining the degree of conformity and distinctiveness to communicate for successful outcomes. While the valuation risk is less salient for those who have a well-established status (Hughes, 1946; Zuckerman, 2016) and those who are perceived as incompetent or deviant (Zuckerman, 2016), this is generally not the case for new ventures as they lack awareness and history. Therefore, for new ventures, valuation risk is even more salient than established and mature firms.

This conformity and distinctiveness paradox is particularly relevant to new ventures as they lack experience and history, it is difficult for them to know who/what to conform to and to differ from as well as to set and implement the right level of conformity and distinctiveness (Barlow et al., 2019). Although conformity is almost always expected by the audience, true innovations violate membership norms (Zuckerman, 2016; Phillips, Turco, & Zuckerman, 2013). Therefore, even when a very innovative firm conforms to norms to some degree, the level of conformance and its balancing point with distinctiveness can be very different for an innovative firm compared to a noninnovative one. For those innovative firms, the valuation risk will naturally be high, as their nonconformance to membership norms will generate uncertainty for the evaluators who, in return, may or may not make favorable judgements about the legitimacy of the innovative firm. While the decision may go both ways, assuming the evaluators make positive judgements, taking the high-risk valuation with innovative positioning may generate the highest returns to the entrepreneur (Zuckerman, 1999).

Literature review with a sample of articles presenting different approaches is presented in Table 4 below.

Table 4. Literature Review

	BALANCE VIEW	
Main View	**Influential Studies**	**Key Foundings / Arguments**
1) Optimal Distinctiveness (Brewer, 1991)	Brewer, 1991	Human beings have two competing needs: (a) for assimilation or inclusion in a collectivity; and (b) for uniqueness or differentiation from other individuals.
	Porac, Thomas, & Baden-Fueller (1989)	Isomorphic and differentiating pressures create a competitive cusp upon which firms must balance their uniqueness among similar organizational forms. (p. 414)
	Leonardelli, Pickett, & Brewer (2010)	Individuals have opposing needs of being similar and different from others.
2) Strategic Balance (Deephouse, 1999)	Deephouse (1999)	Inverted U-shaped relationship. "Moderately differentiated firms have higher performance than either highly conforming or highly differentiated firms." (Deephouse, 1999, p.148) "Firms should implement a moderate level of novelty to become "as different as legitimately possible." (Deephouse, 1999, p.147)
	Das & Teng (2000)	Organizations should balance their competitive and cooperative strategies when forming alliances.
	Robinson & Phillips McDougall (2001)	Inverted U-shaped relationship. Firms entering industries with moderate degrees of product differentiation have higher profitability.
	McNamara, Deephouse, & Luce (2003)	Firms that balance their strategic distinctiveness for competitive advantage and conformity for legitimacy achieve better performance results. Secondary firms outperform core and solitary firms.
	Roberts & Amit (2003)	Firms have the highest performance when innovative activity is different but not too different from the norm.
	Stephan et al. (2003)	Inverted U-shaped relationship between multipoint contact and market entry. Strategic decision makers must balance the desire for legitimacy against the need for differentiating the firm.
	Norman, Artz, & Martinez (2007)	Inverted U-shaped relationship in regulated firms. Moderate level of nonconformity is the most beneficial for firm performance for regulated firms.
	Semadeni & Anderson (2010)	Firms must balance the need to be innovative with the need to appear reasonable and credible in their offerings.

	Zhao, Ishihara, Jennings, & Lounsbury (2016)	In the early stages of a category, conformity with exemplar increases performance. However, as the category evolves, moderate level of differentiation generates the best performance outcomes.
	Kobayashi, Takemura, & Hara (2018)	Moderately novel configurations of design elements have the best performance results. Inimitability and legitimacy must be balanced.
	Haans (2018)	Distinctiveness has a different effect on performance depending on category homogeneity. Distinctiveness has a U-shaped effect in homogeneous categories, disappearing in more homogeneous categories.
	Ma, Guo, & Shen (2019)	Entrepreneurial orientation strengthens the inverse-U shaped relationship between organizational regulatory legitimacy and SME innovation.
	Pan, Chen, & Li (2019)	Inverted U-shaped relationship between conformity and performance. Moderate level of technological diversification conformity has the most successful performance outcomes.
3) Threshold	Fisher, Kotra, & Lahiri (2016)	There are different legitimacy thresholds depending on organizational life cycle stages (Fisher, Kotra, & Lahiri, 2016).
	McKnight & Zietsma (2018)	Firms must reach a legitimacy threshold before they can benefit fully from investments in differentiation. Successful firms go beyond strategic balance to differentiate themselves. (McKnight & Zietsma, 2018).
4) Two-Stage Valuation (Zuckerman, 2016)	Porac, Thomas, & Baden-Fuller (1989, 2011)	Firms must first conform to a category, then differentiate themselves. A firm can have an identity only when it is included in a collective system of categories.
	Porac & Thomas (1990); Porac et al. (1995)	Two step solution: Firms must conform to category members on diagnostic attributes that provide clear information about a firm’s position on other attributes but differentiate on nondiagnostic attributes that may assign them additional value.
	Zuckerman (1999)	Organizations first should belong to a category to be considered for evaluation (i.e., conform), and then differentiate (Zuckerman, 1999; 2016). Firms that do not conform to financial analysts’ schemas for sorting firms based on reference groups will have decreased performance.
	Phillips & Zuckerman (2001)	Middle-status conformity has the highest effect on performance as low and high-status organizations have less to lose from lack of conformity than middle-status organizations
	Hargadon & Douglas (2001)	Product innovations are introduced by emphasizing their similarities to existing products rather than their differences.
	Zuckerman (2006)	Firms must first conform to a category in order to get evaluated, then differentiate themselves.
	Hsu, Hannan, & Kocak (2009)	Category specialists will be more appealing than firms belonging to multiple categories.

	Navis & Glynn (2010)	When a market category achieves legitimacy, organizations will shift their emphasis to distinctiveness.
	Vergne & Wry (2014)	Potential solutions to conformity-differentiation paradox.
	Wry, Lounsbury, & Glynn (2011)	Legitimacy is more likely to be achieved when organizations tell a clear defining collective identity story.
	"CONFORM OR DIFFERENTIATE" VIEW	
Either Conform or Differentiate	Finkelstein & Hambrick (1990)	Firms following more conforming strategies to the industry have performance levels that align with industry averages.
	Chen & Hambrick (1995)	Deviation from group norms negatively affects performance for both large and small firms.
	Kale & Arditi (2003)	Differentiation is positively related to performance. Conformity is not related to regulatory expectations.
	Basdeo et al. (2006)	Similarity of a firm's repertoire of market actions to its rivals' had a positive effect on its reputation.
	Jennings, Jennings, & Greenwood (2009)	U-shaped relationship between employment-system novelty and organizational productivity.
	Delgado-Garcia & Fuente-Sabate (2010)	Negative affective traits were positively related to strategic conformity and typical performance, whereas positive effects were negatively related to strategic conformity and performance. Strategic conformity is positively related to performance conformity.
	Philippe & Durand (2011)	Conformity has differentiated effects. Firms can strategically select from two main dimensions of conforming: compliance with the goal and level of commitment to the procedures.
	Cennamo & Santalo, (2013)	U-shaped relationship between distinctiveness and performance. Moderate level distinctiveness leads to worst performance as it creates confusion for stakeholders.
	Guo, Tang, & Su (2014)	Although organizational regulatory legitimacy and entrepreneurial orientation have a positive effect on new venture performance separately, their interaction hinders performance.
	Durand & Kremp (2016)	Conformity can have a positive effect on performance by both through alignment and conventionality.
	Miller, Amoore, Le Breton-Miller, Minichilli, & Quarato (2018)	U-shaped relationship between strategic conformity and performance. Both low levels of strategic conformity (i.e., high distinctiveness) and high levels of conformity achieve higher performance in family firms.
	Taeuscher et al. (2020)	Higher levels of distinctiveness lead to superior performance.

	AMBIDEXTROUS VIEW	
	Lounsbury & Glynn (2001)	Entrepreneurial stories should balance the need for legitimacy by conforming to societal norms and creating unique identities that differentiate and lend competitive advantage.
Legitimate Distinctiveness (Navis & Glynn, 2011)	Alvarez, Mazza, Rederson & Svejenova (2005)	Firms can achieve optimal distinctiveness by creative action, specifically film directors can reconcile the need for artistic differentiation and audience appeal increasing their control.
	Lamertz et al. (2005)	Balance approach: Firms balance social fitness as members of a category with offering competitive benefits.
	Gardberg & Fombrun (2006)	Companies can balance differentiation in core competencies and legitimacy through citizenship activity.
	Navis & Glynn (2011)	Legitimately distinctive entrepreneurial identities that include both legitimating claims and distinctiveness claims will be more successful.
	Tan, Shao, & Li (2013)	Conformity and differentiation can complement each other. Firms can avoid tradeoff between institutional conformity and competitive differentiation through their networks.
	van Werven et al. (2015)	Entrepreneurs can use analogies to convince stakeholders that their venture is both legitimate and distinct simultaneously.
	Snihur (2016)	New ventures use storytelling and analogies to balance uniqueness and category membership.
	Zamparini & Lurati (2017)	Organizations can use three different strategies to claim their legitimate distinctive identities.
	Barlow, Verhaal, & Angus (2019)	Firms can benefit from being similar to exemplars and being distinct from prototypes within a category.

The Ambidextrous Approach to Legitimate Distinctiveness

In this dissertation, I adopt the ambidextrous perspective suggesting that high level of distinctiveness and high level of conformity can simultaneously generate successful outcomes for new ventures. My perspective diverges from optimal distinctiveness and strategic balance perspectives in that most studies focus on distinctiveness and conformity on a continuum and within the same limited aspects (e.g., a single convergence point) of a given strategy. In this study, I treat distinctiveness and conformity as two separate constructs with the former being about features and benefits offered (pragmatic dimension), while the latter concerns appropriateness and congruence (normative dimension).

Legitimate distinctiveness (Navis & Glynn, 2011) is derived from studies employing ambidextrous view and organizational narratives. For example, Lounsbury and Glynn (2001) argued that entrepreneurial stories should balance the need for legitimacy by conforming to societal norms and developing unique identities to gain competitive advantage. Alvarez et al. (2005) suggested that optimal distinctiveness can be achieved by increasing artistic differentiation. Lamertz et al. (2005) found that firms can balance social fitness and offer competitive benefits as members of a category. In line with the ambidextrous view, Tan et al. (2013) offers empirical evidence that firms can avoid tradeoffs between conformity and differentiation through the use of their social networks. van Werven et al. (2015) showed that entrepreneurs can use analogies to convince stakeholders of their legitimacy and distinctiveness simultaneously. Snihur (2016) suggested the new ventures can use storytelling to balance their distinctiveness and conformity through category membership. Zamparini and Lurati (2017) examined how organizations try to achieve legitimate distinctiveness by orchestrating both conforming and differentiating claims through multimodal identity projections and suggested three legitimating strategies to claim legitimately distinctive identities. Barlow et al. (2019) made a distinction between prototypes and exemplars in a category and argued that firms can benefit from being similar to exemplars and different from prototypes within a category to be successful. Tan et al. (2013) argued that institutional conformity does not hinder competitive heterogeneity and incorporated the role of networks to find that firms adopted institutional practices in response to institutional pressures, and some were able to differentiate themselves competitively. They found evidence that central firms were able to deviate from competitive isomorphism through innovative performance by taking advantage of their networks.

This dissertation is generally in line with Zuckerman's (1999) two-stage evaluation model, however, I also challenge the longstanding view that conformity should necessarily precede distinctiveness in order to achieve higher performance and that it should be of high priority. Zuckerman's model suggests that an organization is evaluated by the audiences for selection only when it obtains a certain degree of acceptance (i.e., legitimacy) through conforming to expectations related to the category. In other words, in order to be selected, the organization needs to be distinct from the peers in the category. Only at this second stage, distinctiveness is finally rewarded. "Gaining the favor of an audience requires conformity with the audience's minimal criteria for what offers should look like and differentiation from all other legitimate offers." (Zuckerman, 1999, p. 1402) Zuckerman argues that differentiation is only taken into consideration in comparison with the 'other legitimate offers'. In line with Zuckerman's (1999) two-stage solution, Porac, Thomas, & Baden-Fuller (1989, 2011) introduce the concept of "competitive cusp" to refer to the tension between conformity and distinctiveness. They argue that a firm must first conform to a category, then differentiate itself, as a firm can have an identity only when it is included in a collective system of categories. However, I argue that it is not always the case. I suggest that although conformity is beneficial for acquiring positive legitimacy perceptions and increasing performance outcomes, it is not imperative that conformity precedes distinctiveness for the new venture to achieve successful outcomes. Specifically, I posit that conformity may not be as necessary for the selection of a new venture as the two-stage evaluation model suggests when the category has low appeal. Although conformity to a category that has high appeal can be beneficial for a new venture as such category can provide it with trust and credibility, category that has low appeal will make conformity to the norms and rules of a specific category less desirable for the audience. Moreover, while two-stage evaluation model argues that conformity is necessary as it leads to legitimacy, I suggest that distinctiveness itself can also lead to legitimacy, specifically pragmatic legitimacy. This implies that conformity does not necessarily have to precede distinctiveness to be attain legitimacy and improve subsequent performance. This is where this dissertation diverges from Zuckerman's (1996) two-stage evaluation model.

Legitimate Distinctiveness via Organizational Identity Claims

It is important to note that the focus of this study is communication: How can legitimate distinctiveness be communicated? How can competitive distinctiveness and institutional conformity be conveyed through communication to bring the most successful outcomes for new ventures? Therefore, it is not only about what the firms do/possess, but what they *claim* they do/possess. "To what extent new ventures communicate their distinctiveness versus their conformity?" is the focus of this study. This nuance matters. For instance, a new venture conforming to all the institutional norms and laws may, intentionally or unintentionally, not communicate all of it. Similarly, a firm may be offering very distinct, novel products and services, however, it may prefer to reflect only a part of this uniqueness (i.e., distinctiveness) for certain reasons. This study is about storytelling and how it can be used to create and convey identity claims and how legitimate distinctiveness may be achieved through these claims. Therefore, the focus here is on new ventures' communication.

While culture and cultural norms were initially seen as a constraint for entrepreneurial activities, more recently, research has moved towards an understanding of culture as a more dynamic resource which can be used as a toolkit to construct strategies (Swidler, 1986; Lounsbury & Glynn, 2019). Swidler's (1986) toolkit analogy implies that the entrepreneur is an active builder, rather than a passive user, who has the opportunity to create distinct outcomes from what appears to be a common set of circumstances available to all competitors (e.g., Lingo & O'Mahony, 2010). What differentiates successful entrepreneurs is the ability to be a "skilled cultural operative" (Lounsbury & Glynn, 2001, p. 559) by turning cultural resources into a firm identity that facilitates legitimacy attainment and competitive advantage at the same time. In short, culture and the norms it imposes do not necessarily restrain and force new ventures to be completely identical. Rather culture is a box of opportunities which the entrepreneur can use freely and creatively to build distinct and conforming strategies. When identities are carefully developed and communicated, they can help new ventures acquire legitimacy as well as differentiate themselves from competitors.

Narratives and culture are tools for entrepreneurs to generate legitimacy (Glynn, 2008; Lounsbury & Glynn, 2001). New ventures can communicate their identity claims through storytelling to achieve legitimate distinctiveness. Organizational identity is the result of strategic choices of the managers (Ashforth & Mael, 1996) and it can be projected by communication, which is often influential in forming stakeholder perceptions. van Halderen, Van Riel, & Brown (2011) investigated the legitimizing effects of corporate messages in terms of transparency, sincerity, and consistency as well as distinctiveness by being provocative. Organizations can use innovative actions, distinctive leadership, unique history, and unique culture to form their organizational identity (Dutton, Ashford, O'Neill, & Lawrence, 2001). They utilize identity claims to "give sense" and tell what the organization is really about with the goal of projecting the desired image and embedding claims in organizational culture to maintain the collective sense (Ravasi & Schultz, 2006). Zamparini and Lurati (2017) examined how organizations used different communication modes simultaneously, including visuals and audio and identified three strategies for legitimate distinctiveness claims: complementing, supplementing, and juxtaposing. They utilized legitimate distinctiveness as a multimodal construct. Other studies used discursive strategies and communication to examine legitimate distinctiveness via organizational identity claims (e.g., Navis & Glynn, 2011; Philippe & Durand, 2011; van Werven et al., 2015; Lamertz et al., 2005; Snihur, 2016; Taeuscher et al., 2020).

While the relationship between conformity and legitimacy has been subject to a wide breadth of research, the effect of distinctiveness on legitimacy requires some attention. Organizational identity literature offers insights about the relationship between distinctiveness and legitimacy. Few and Few (2018) argue that managers create an internal story which they believe both legitimates and distinguishes their organization via markets, competencies, and intangible identity attributes. Identity claims that reflect distinctiveness generate attention (Rindova, Petkova, & Kotha, 2007). They also facilitate categorization (Rosch, 1978), which in turn help stakeholders to better understand the company (van

Halderen et al., 2011), and thus help to generate positive legitimacy judgements. Optimal distinctiveness is primarily focused on the role of distinctiveness on attaining cognitive legitimacy (Taeuscher et al., 2020). Taeuscher et al. (2020) proposed the effect of distinctiveness on normative legitimacy, however, they did not test this effect directly. Instead, they tested the effect of distinctiveness on resource acquisition and specifically under the absence of other normative legitimating sources. Therefore, this study contributes to the optimal distinctiveness literature by not only proposing the role of distinctiveness in the acquisition of pragmatic legitimacy but also testing this relationship, moreover, testing the mediating role of pragmatic legitimacy.

Legitimate Distinctiveness via Category Membership

Answering the call from Lounsbury and Glynn (2019) to integrate micro and macro mechanisms in order to better understand the relationship between entrepreneurial identities and audience evaluations, I bring in the notion of categorization, as categories serve as a bridge between micro and macro approaches (Vergne & Wry, 2014). Categories are "shaped by perceptions and in return shape cognition." (Vergne & Wry, 2014, p. 58) They offer a "conceptual system" (Rosa, Porac, Runser-Spanjol, & Saxon, 1999, p. 64) for audiences by providing them with a basis for evaluation. Being socially constructed (Glynn & Navis, 2013), they serve as a referential mechanism to answer "the fundamental question of sensemaking … 'What *kind* of thing is it?'" (p. 1125) The integration of categories supports the objective to examine the creation of legitimate distinctiveness through identity claims and its effect on legitimacy perceptions in the micro level (propriety judgements) and on performance which is influenced by the collective evaluations in the macro level (validity judgements).

According to the marketing literature, “unclassifiable actors and objects suffer social penalties because they threaten reigning interpretative frameworks.” (Zuckerman, 1999, p. 1399) Categories are helpful as they reduce the time and efforts that the decision-makers need when evaluating organizations and vast amounts of information about them by providing a reference point and collective evaluation possibility (Douglas, 1986; Zerubavel, 1996; Vergne & Wry, 2014). They provide a reference point for evaluations of value (Vergne & Wry, 2014). This is even more important when evaluating new ventures as there are a lot of unknowns and uncertainty about them.

Cultural entrepreneurship literature, since Lounsbury and Glynn’s (2001) original proposal, has grown to cover various elements, including institutional logics, frames, and categories (e.g., Friedland & Mohr, 2004; Giorgi, Lockwood, & Glynn, 2015; Thornton et al., 2012; Vaara, Sonenshein, & Boje, 2016; Lounsbury and Glynn, 2019). Entrepreneurs are surrounded by diverse institutional logics which constitute important reference points while constructing their venture’s identity and related stories. Considering these diverse institutional environments, organizations need to make strategic decisions about the degree of conformity to and differentiation from the categories they are associated with.

There are two main views regarding categories: one is Porac et al.’s (1989) cognitive psychological approach, the other one is the sociological view rooted in Zuckerman (1999) and followed by other management and sociology scholars (e.g., Durand & Paolella, 2013; Glynn & Navis, 2013; Kennedy & Fiss, 2013). The main difference between the two is about who makes a decision related to the categories. The cognitive psychological approach is concerned about how organizations categorize themselves (Porac et al., 1989), whereas the sociological view suggests that external audiences (i.e., external environment) place the organizations into categories (Zuckerman, 1999). This is an important distinction for this study because the stakeholders making the decision about an organization and its category match matters in terms of the analysis. I take the sociological perspective and assume that the audience places a new venture within a certain category. This is influential in determining the competitive and institutional pressures as well as competitive conditions.

Organizations are often assigned to certain categories by the evaluators. For instance, when evaluating a new venture's business plan, the investor will decide on the category that the new venture fits in and will take that category as a reference point with which to compare the venture's features. However, this does not exclude the importance of self-categorization for new ventures when they develop their identity claims. It is also crucial for entrepreneurs to understand their evaluators' future categorization of their venture in order to be able to decide what to conform to and what to be different from. In other words, organizations must consider their perceived categories while crafting and communicating their identity claims.

Kennedy et al. (2010) introduced the notion of category currency which is defined as "the extent to which a category has clear meaning and positive appeal." (p. 372) As the category currency increases, audience attention shifts from the category as a whole to the differentiation of firms within (Navis & Glynn, 2010). Put differently, when the category has a clearer meaning and a more positive appeal, audiences start looking for some differentiation among firms. Category appeal (i.e., valence) is the degree of appeal that the category membership has in the eyes of a specific audience (Alexy & George, 2013). In other words, it is how desirable and attractive a category is. Category can be seen as a subset of an industry. For instance, while pet food production is an industry, luxury pet food production is a category within the industry. The initial model of Lounsbury and Glynn (2001) suggests that entrepreneurial stories can benefit from placing more emphasis on distinctiveness when the industry legitimacy is high. Navis and Glynn (2010) studied the legitimation process of the new market category of U.S. satellite radio and found evidence that as the category became legitimate, firms started paying more attention to differentiating their identities. Therefore, it can be expected that as a category becomes more legitimate, the effect of distinctiveness would have stronger effect on performance.

This argument is more in line with the category lifecycle. Emerging categories bear the liability of newness as new ventures do in their early stages. On the contrary, mature and established categories offer a legitimating basis for new ventures and new entrants to the category. However, mature category and industry legitimacy may not necessarily mean that a category has positive appeal. Therefore, it is important to treat maturity, industry legitimacy and category appeal separately. In this dissertation, I focus on category appeal.

CHAPTER III

HYPOTHESES DEVELOPMENT

COMPETITIVE DISTINCTIVENESS, PRAGMATIC LEGITIMACY, AND PERFORMANCE

Competitive Distinctiveness and Pragmatic Legitimacy

New ventures can manipulate stakeholders' perceptions and decisions about their legitimacy (e.g., Choi & Shepherd, 2005; Jawahar & McLaughlin, 2001; Tost, 2011; Bitektine & Haack, 2015; Lounsbury & Glynn, 2001). Instrumental dimension of legitimacy (Tost, 2011) reflects pragmatic legitimacy, and it can be attained by satisfying the self-interests of individuals (Suchman, 1995). Entrepreneurs can acquire legitimacy by convincing their stakeholders of their functional superiority (Suchman, 1995). Entrepreneurs who are successful at building the 'right' identity and communicating it with the audience in the most effective way are those who can "read the culture" (Lounsbury & Glynn, 2019) in that they understand their audience and know what that audience expects from an organizational offering—now and in the future. To this point, Garud et al. (2014) theorize that stories generate future pragmatic expectations (i.e., benefits) and cognitive expectations (i.e., comprehensibility) for new ventures. Due to a lack of prior history, new ventures must convince their stakeholders about their future success despite the unknown (Aldrich & Fiol, 1994), and they can do so through projective stories that create pragmatic and cognitive expectations. For instance, when they pitch their business ideas to investors, entrepreneurs present feasibility analysis and financial projections, which naturally create some expectations in the minds of the investors. If these expectations are strong and positive, entrepreneurs would be more likely to acquire some resources or investment. Therefore, they aim to generate those positive expectations. Similarly, I posit that new ventures[2] can use identity claims to generate pragmatic legitimacy by offering benefits to their stakeholders and differentiating themselves from their competitors. Lounsbury and Glynn (2001) emphasized the identity creating role of stories and the ability of resources to generate distinctiveness: "entrepreneurial story content must consist of claims that emphasize a core, distinctive, and enduring set of attributes, capabilities, and resources that lend strategic distinctiveness and competitive advantage." (p. 552) Entrepreneurs can utilize their resource capital (composed of technological, financial, intellectual, human, and social capital) as differentiators (Lounsbury & Glynn, 2001). Their existing resource capital can help entrepreneurs communicate future benefits to their stakeholders, which can make the unknown more believable.

Predicting the future expectations of their target audiences is also critical for entrepreneurs since they attempt to offer something that does not exist in the market, at least not in the same form as they offer, and therefore, they need to assess the likelihood of the desirability of their product or service by their audience (Garud et al., 2014). Therefore, I suggest that new ventures can differentiate their assets and capabilities (i.e., resource capital) by highlighting their superiority and offering benefits to their stakeholders in order to first

[2] I utilize entrepreneurs and new ventures are used interchangeably.

create awareness, then generate transactions. If this strategy is executed well, it may eventually lend them legitimacy, specifically pragmatic legitimacy.

According to the two-stage evaluations perspective, once legitimacy is achieved through conformity, organizations can focus on distinctiveness (Zuckerman, 2016). Some researchers called this “the legitimacy threshold” (e.g., Fisher et al., 2016; McKnight & Zietsma, 2018). Therefore, while conformity may grant a new venture a degree of legitimacy, subsequent actions may focus more on distinctiveness even to a degree of nonconformity. In other words, legitimacy generated by conforming may provide the role of a cushion whereby a zone of tolerance is created. This tolerance zone in the minds of the stakeholders (i.e., zone of acceptance) (Bridwell-Mitchell & Mezias, 2012) functions as a safe place for communicating distinctiveness, including any organizational aspect that may otherwise raise flags. Legitimacy, via conformity, has the power to insulate the organization from external pressures (Meyer & Rowan, 1997; Deephouse et al., 2017). “…legitimacy as accepted subunits of society protect organizations from immediate sanctions for variations in technical performance.” (Meyer & Rowan, 1977, p. 351) Distinctiveness can be risky, therefore new ventures may delay offering distinct products and services until they already possess some degree of legitimacy. Once a threshold of legitimacy is attained, they can focus on communicating their distinctiveness, which in turn can lead to pragmatic legitimacy.

However, while conformity is one way to achieve legitimacy, distinctiveness can also generate legitimacy by itself. Firms can acquire pragmatic legitimacy by offering tangible rewards to their stakeholders, giving better compensation to their employees, or higher dividends to their shareholders, as well as better value to their customers (Koh, Qian, & Wang, 2014). By representing themselves as a better alternative (i.e., distinct) than their competitors, new ventures can gain legitimacy (Drori, Honig, & Sheaffer, 2009). However, to achieve that, new ventures need to convince stakeholders about their "value-creating potential." (Rutherford, Mazzei, Oswald, & Jones, 2018, p. 910) Therefore, I hypothesize the following:

Hypothesis 1: *Competitive distinctiveness (CD) will have a positive relationship with pragmatic legitimacy.*

Competitive Distinctiveness and Performance

Firms must be different from peers to achieve competitive advantage. Strategic management research has largely demonstrated the positive effect of being different on competitive advantage, and subsequent financial performance (e.g., Porter, 1991; Alvarez & Barney, 2000; Henderson & Clark, 1990: Kishida, Schulze, & Deeds, 2005; Vracheva, Judgem & Madden, 2016; Pisano, 2017). However, research on strategic differentiation has also shown some inconsistent results. Research on the strategic balance view has demonstrated that a high level of distinctiveness harmed legitimacy and performance, because it made it difficult for stakeholders to understand what the organization actually offers (e.g., Deephouse, 1999; Zhao et al., 2017). This research suggests that firms should balance their distinctiveness and conformity strategies and adopt a moderate level of distinctiveness in order to gain higher performance.

On the other hand, some studies showed evidence that distinctiveness increased performance. For example, Miller (2006) showed that technological diversification leads to increased performance; and Leten, Belderbos, & Looy (2007) found that technological diversification reduced transaction costs, which in turn resulted in firms outperforming. Other studies hold that maximizing the distance—in customer minds—between offerings benefited firms through distinctiveness (D'Aspremont, Gabszewicz, & Thisse, 1979; Ketchen, Snow, Hoover, 2004; Porter, 1985; Salop, 1979, Cennamo & Santalo, 2013). Following this stream of research, I hypothesize the following.

Hypothesis 2: *Competitive distinctiveness (CD) will have a positive relationship with new venture performance*.

Pragmatic Legitimacy as Mediator

New ventures focus on resource acquisition for their growth and survival (Zimmerman & Zeitz, 2002). They can acquire resources by attaining legitimacy (Aldrich & Fiol, 1994; Scott, 1995; Wang, Thornhill, & De Castro, 2017). Legitimacy is critical for organizational growth and survival (Meyer & Rowan, 1977; Zucker, 1987). Entrepreneurs utilize various tactics to convince stakeholders about their legitimacy so that they grant them resources. Those tactics include displaying existing resources in hand, which in turn may generate positive perceptions leading those stakeholders to grant their resources that new ventures need to grow and survive (Rutherford et al., 2018).

Pollack et al. (2012) provided evidence that preparedness behavior influenced legitimacy granted by investors, which in return increased funding. Others concluded that new venture activities can positively affect stakeholder perceptions and increase organizational emergence (e.g., Tornikoski & Newbert, 2007), and survival (e.g., Delmar & Shane, 2004). Bansal and Clelland (2004) showed that as legitimacy signals less unsystematic risk, it can increase funding. Brown stated (1998) "legitimate status is a *sine qua non* for easy access to resources, unrestricted access to markets, and long-term survival." (p. 35) Díez-Martin et al., (2013) showed that pragmatic legitimacy leads to better access to resources and improves overall organizational results. When a new venture meets its stakeholders' pragmatic needs, they will be more likely to engage in transactions with it (i.e., purchase its products or services, grant resources and offer funding). Therefore, I argue that pragmatic legitimacy will increase new venture performance. Based on the arguments presented above, I hypothesize the following:

Hypothesis 3: *Pragmatic legitimacy will have a positive relationship with new venture performance.*

Hypothesis 4: *Pragmatic legitimacy will mediate the relationship between competitive distinctiveness and new venture performance.*

INSTITUTIONAL CONFORMITY, NORMATIVE LEGITIMACY, AND PERFORMANCE

Institutional Conformity and Normative Legitimacy

In addition to the instrumental (i.e., pragmatic) dimension of legitimacy, the moral dimension is substantial on individual evaluations as well (Tost, 2011). Moral legitimacy, obtained through normative evaluations, is “a prosocial logic” and reflects the degree to which an organization supports the social welfare reflecting the value system of the audience (Suchman,1995, p. 579). Ruef and Scott (1998) argue “whether an organization is legitimate, or more or less so, is determined by those observers of the organization who assess its conformity to a specific standard or model.” (p. 880) Supporting these arguments, I argue that normative legitimacy perceptions of the audiences will depend on new ventures’ degree of conformity to institutional norms.

New ventures possessing institutional and moral capital that conforms to their institutional environments can benefit from industry legitimacy and the strength of industry infrastructure (Garud et al., 2014; Godfrey, 2005). Institutional capital is defined as “industry legitimacy, industry norms and rules, and industry infrastructure." (Lounsbury & Glynn, 2001, p. 548) Moral capital held by organizations depends on how stakeholders interpret the organizations' true motives and goals (Godfrey, 2005). For instance, if a new venture is perceived as genuine while exercising socially responsible activities, it will receive greater moral capital (Godfrey, 2005). In this dissertation, I use the term normative legitimacy while referring to legitimacy acquired by conforming to rules and norms imposed by the institutions and by the possession of moral capital.

Stakeholders evaluate the organization's goals and behavior in terms of their appropriateness and fit within the socially accepted beliefs and actions (Bloodgood et al., 2017). Normative legitimacy reflects an organization's alignment with societal expectations such as profitability, job creation, useful goods (Bloodgood et al., 2017). Therefore, new ventures that signal their congruence with the general beliefs and communicate their goals' alignment with societal benefits would be more likely to acquire normative legitimacy.

Organizations gain legitimacy by conforming to rationalized myths (i.e., institutional rules) defined as in the institutional environment (Meyer & Rowan, 1977). Early neo-institutional theory suggests that institutions constrain new ventures. However, Suchman (1995) notes that legitimacy is "an anchoring point of a vastly expanded theoretical apparatus addressing the normative and cognitive forces that *constrain, construct, and empower* organizational actors." (p. 571, emphasis added) In other words, while institutions may be constraining, they can also help new ventures' formation. Moreover, institutions can strengthen the new venture through their already established and socially accepted qualities and features. Existing institutions provide a template for social norms (Veblen, 1914) that the new ventures can adopt and accelerate legitimacy acquisition.

As new ventures suffer from liability of newness (Stinchcombe, 1965), they can benefit from alignment with the broader field. The institutional field can help new ventures acquire awareness and acceptance. One of the most effective ways to create such alignment is to claim and communicate 'we belong to this category'. As part of the broader field, the category the new venture is associated with plays an important role on the legitimacy evaluations. If the category is considered legitimate, the new venture can benefit from belonging to that category.

Institutional conformity can be communicated through the use of credentials, licenses, and certifications given by powerful organizations (Aldrich & Martinez, 2001) called "legitimacy by affiliation" (Rutherford et al., 2018, p. 914). Additionally, organizational linkages help new ventures attain legitimacy (Baum & Oliver, 1991) as they signal reliability, integrity, and accountability (Hannan & Freeman, 1984; Rutherford et al., 2018). Intertextual linkages transmitting developments in technologies, industries, and markets (Berkhout, 2006; Garud et al., 2014) will increase credibility of new venture stories, as well as their comprehensibility which is influential in the acquisition of legitimacy. Baum and Powell (1995) argued that organizations, by conforming to institutional expectations, can influence their legitimacy. Díez-Martin et al. (2013) suggested that organizations may display moral legitimacy by treating their employees and clients in an expected fashion. Normative legitimacy may also be signaled by news coverage (Pollock & Rindova, 2003; Deeds, Mang, & Frandsen, 2004), endorsements (Stuart, Hoang, & Hybels, 1999), and corporate giving (Jia & Zhang, 2014). Registration as a legal entity (Delmar & Shane, 2004; Eckhardt, Shane, & Delmar, 2006), an industry-specific registration (Singh, Tucker, & House, 1986), tax form completions (Eckhardt et al., 2006), are all signals of new venture legitimacy, as they communicate a new venture's institutional conformity and may lead to normative legitimacy acquisition (Rutherford et al., 2018).

In sum, conformity or isomorphism is a strategic choice that organizations, specifically new ventures, can utilize to acquire legitimacy. Based on the above, I hypothesize the following:

Hypothesis 5: *Institutional conformity (IC) will have a positive relationship with normative legitimacy.*

Institutional Conformity and Performance

Institutional environments exert pressure on organizations to conform to certain norms and rules. Organizations may deal with those pressures by exercising certain institutional practices, such as by attending trade shows, joining industry associations, and developing good relationships with the government (Tan et al., 2013). By complying with institutional rules and norms, organizations increase their likelihood to survive, and more specifically, they may benefit from enhanced stability, legitimacy, social support, and prestige (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Meyer & Scott, 1983; Oliver, 1997).

Research has suggested the positive effect of isomorphism on organizational survival and performance (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Deephouse, 1999; Oliver, 1997; Deephouse, 1999; Aldrich & Fiol, 1994). Institutional isomorphism is a source of legitimacy on which firm survival depends (DiMaggio & Powell, 1983). As legitimacy by affiliation may generate additional resources for a new venture (David, Sine, & Haveman, 2013), possession of certifications by powerful organizations such as government will improve new venture performance (Sine, David, & Mitsuhashi, 2007; Rutherford et al., 2018). Singh et al. (1986) empirically demonstrated that external legitimacy attained through the acquisition of a community directory listing and a charitable registration number leads to a significant increase in survival rate. Correspondingly, organizations that do not conform to social norms and values are more likely to fail (Bianci & Ostale, 2006; Ahlstrom & Bruton, 2001).

Hypothesis 6: *Institutional conformity (IC) will have a positive relationship with new venture performance.*

Normative Legitimacy as Mediator

Normative legitimacy influences the likelihood of new venture survival as it facilitates access to resources (Bitektine, 2011; Díez-Martin et al., 2013). Studies utilizing media coverage and positive news indicating normative legitimacy demonstrated the positive relationship between legitimacy and performance (e.g., Pollock & Rindova, 2003; Deeds et al., 2004). Li, Ren, Qian, and Su (2019) showed that contract legitimacy influenced compliance and trust, and normative legitimacy had a positive effect on performance. Rutherford et al. (2018) found evidence that top performer new ventures' normative legitimacy was related to their performance.

Once achieved, legitimacy may help organizations survive through challenging times, even when they may violate some norms (Tost, 2011). Lacking governmental support may lead to illegitimacy perceptions and may even prevent a new venture from legally obtaining any resources needed for its survival (Zimmerman & Zeitz, 2002). Prestigious government subsidies signaling normative legitimacy have a positive effect on human and financial capital acquisition, and performance (Söderblom, Samuelsson, Wiklund, & Sandberg, 2015). Tax payments, legal entity registrations, licenses, permits, and credit-worthiness have been suggested to be related to increased external financing, organizational emergence, and performance (e.g., Eckhardt et al., 2006; Wang, Song, & Zhao, 2014; Sine et al., 2007, Wiklund, Baker, & Shepherd, 2010). Based on the above, I hypothesize the following.

Hypothesis 7: *Normative legitimacy will have a positive relationship with new venture performance.*

Hypothesis 8: *Normative legitimacy will mediate the relationship between institutional conformity and new venture performance.*

CATEGORY APPEAL AS MODERATOR

Each category has an external identity, or a code, which represents audience expectations (Vergne & Wry, 2014). Failing to meet those expectations as a category member may result in social sanctions for an organization. Organizations can be perceived as being distinct between- and within-categories (King & Whetten, 2008). High deviation from standards within the category may cause organizations to be perceived illegitimate (Deephouse, 1999; Hargadon & Douglas, 2001). Stakeholders may penalize companies that are more distinct than others within the category in various ways including cutting access to resources (Alvarez et al., 2005; Baker & Faulkner, 1991; Zuckerman, 1999). In this dissertation, I posit that this depends on the appeal of the category. Researchers have argued that categories are positively valued when greater conformity is associated with greater appeal (Hannan, Hannan, Pólos, & Carroll, 2007; Hsu et al., 2009; Kennedy et al., 2010).

The effects of category appeal can be better understood considering category contrast, which is the degree of separation or overlap between a focal category and relevant alternatives (Hannan et al., 2007; Kennedy et al., 2010). Contrast represents the average typicality of the members in a category and "atypical members" are suggested to lower the category contrast (Negro et al., 2010, p. 1398). Kuilman and Wezel (2013) defined category contrast as “the degree to which a class of organizations stands out from its domains –an essential feature of cognitive legitimacy for external audiences.” (p. 57) They found that category contrast was critical in the legitimation of an emerging industry. A few empirical studies have explored the role of contrast as a moderator of the illegitimacy discounts that organizations face when crossing categorical boundaries (e.g., Kovács & Hannan, 2010; Negro et al., 2010; Ruef & Patterson, 2009; Bogaert, Boone, & Carroll, 2010; Kuilman & Li, 2009). Originally, the idea of contrast suggests that an organization does not have to be a member of or an outsider to a category, but rather it can possess a grade of membership (GoM). Low contrast category means that there are more members with low GoM that partly fit in the category, and that the boundaries are blurred, while high contrast category accommodates high GoM members that are highly typical and that highly resemble the rest of the population within the category (Kuilman & Wezel, 2013). When a category has low contrast, blurred boundaries among categories make that category less appealing to stakeholders. Therefore, such a category will motivate new venture members to distinguish themselves from the category as the category already is not as desired or not very positively evaluated by the audience.

While categorization decision is originally made by the stakeholders, there is growing research suggesting that organizations do not necessarily have to passively accept their category positioning by the audience, but rather they can shape their strategic fit within market categories (Barlow et al., 2019). Barlow et al. (2019) empirically examined how much new entrants should align themselves with or differentiate themselves from category prototypes and category exemplars. They found that positioning as similar to category exemplars and as different as possible from the category’s prototypes would bring the best outcomes. Similarly, in this study, I argue that new ventures can be different from their competitors and be similar to others within the category by differentiating themselves in terms of their features and by conforming to institutional norms and beliefs. I argue that new ventures can benefit more from being similar to the others within a category if the category itself is appealing. If the audience perceives a category to be positively valued, then a new venture would benefit more by conforming to the category's beliefs, values, and norms, and less from differentiating itself from the other category members. However, if the category appeal is low, they will likely benefit more by being as different as possible from both the category exemplars and prototypes. Put differently, I argue that if new ventures conform highly to a category with low appeal, they will likely see weaker performance outcomes. Therefore, the higher the category appeal, the lower the distinctiveness and the higher the conformity that should be communicated by the new ventures.

Stakeholders sometimes make propriety judgements of acceptance (i.e., pragmatic and normative legitimacy) not necessarily because they themselves find personal benefits from the organization, but because the organization and/or its offers have been validated by other stakeholders. This is in line with the two-stage evaluation perspective suggesting that conforming to a category is necessary in order to get positive validity judgements, which in turn will influence individuals' propriety judgements. However, is this always the case? Can distinctiveness have a more positive effect on legitimacy evaluations and subsequent performance than conformity, and can conformity have a negative effect on those outcomes? The answers are yes and yes. I argue that distinctiveness can have a more positive effect and conformity can have a negative effect on performance when category appeal is low. Moreover, distinctiveness can generate legitimacy by itself. Therefore, I challenge the longstanding view that conformity should necessarily precede distinctiveness in order for a new venture to be judged legitimate. I suggest that the effects depend on the level of category appeal, which is an outcome of validity judgements of the category. When the category contrast is low (i.e., category has low appeal), the audience will lose their interest in the category since the category itself is not distinct from the other categories (Kennedy et al., 2010). I argue that when the category appeal is low, new ventures can benefit more from emphasizing their distinctiveness, and communicating it to their stakeholder than from stressing their conformity.

As low contrast makes a category's boundaries blurrier and a category less distinct, thus less appealing, the new venture will benefit more from being distinct when the category appeal is low. Therefore, I hypothesize the following.

Hypothesis 9a: *Category appeal will negatively moderate the relationship between competitive distinctiveness (CD) and new venture performance such that competitive distinctiveness (CD) will have a weaker effect on performance when category appeal is higher, but it will have a stronger effect on performance when category appeal is lower.*

Contrarily, as category contrast is a source of legitimacy, and high contrast makes a category more appealing, therefore conforming more beneficial, I hypothesize the following.

Hypothesis 9b: *Category appeal will positively moderate the relationship between institutional conformity (IC) and new venture performance such that institutional conformity (IC) will have a stronger effect on performance when category appeal is higher, but it will have a weaker effect on performance when category appeal is lower.*

LEGITIMATE DISTINCTIVENESS AND PERFORMANCE

In this dissertation, I argue that both high distinctiveness and high conformity will increase new venture performance. However, when they interact together, the outcomes will be naturally different for different levels of distinctiveness and conformity.

Competitive distinctiveness and institutional conformity can complement each other and coexist to generate successful outcomes (Pan et al., 2019; Tan et al., 2013). Moving beyond that, I argue that competitive distinctiveness will moderate the relationship between institutional conformity and performance.

The moderating role of distinctiveness has been suggested by a number of studies. Even though not a firm level study, Baumeister, Ainsworth, and Vohs' (2016) study examines differentiation of selves as a moderator in the relationship between group membership and performance. Guo et al. (2014) tested the moderating effect of entrepreneurial orientation (i.e., distinctiveness) on the relationship between regulatory legitimacy (i.e., conformity) and new venture performance, and found that the interaction of organizational regulatory legitimacy and entrepreneurial orientation was negatively related to new venture performance. Similarly, Ma et al. (2019) examined the moderating role of entrepreneurial orientation on the relationship between regulatory legitimacy and SME innovation. They found that entrepreneurial orientation strengthened the curvilinear relationship between regulatory legitimacy and innovation.

While institutional conformity has a positive effect on performance, new ventures will still need to differentiate themselves from the other members in the category (i.e., competitors). Therefore, competitive distinctiveness will strengthen the effects of institutional conformity on performance. When new ventures do not conform to the rules and the norms of a category, their performance will be lower. This effect can be mitigated with increased distinctiveness by offering distinct benefits to their audience, the new venture may acquire pragmatic legitimacy to compensate for their lack of normative legitimacy, which can result in increased performance. Therefore, I argue that high distinctiveness even with low conformity can result in higher performance outcomes. Based on the above, I hypothesize.

Hypothesis 10: *Competitive distinctiveness (CD) will positively moderate the relationship between institutional conformity (IC) and new venture performance.*

CHAPTER IV

METHODOLOGY

RESEARCH DESIGN

To test the model of this dissertation, I conducted an empirical analysis that is comprised of two separate studies. The first study (i.e., Study 1) is an experimental design through an online survey testing the omnibus model and investigating the effects of competitive distinctiveness and institutional conformity on performance with the mediating role of legitimacy as well as the moderating effects of category appeal and competitive distinctiveness. The second study (i.e., Study 2) is a multilevel analysis of archival data collected from Twitter testing the effects of competitive distinctiveness and institutional conformity on performance as well as the moderating effects of category appeal and competitive distinctiveness. Study 2 does not include the legitimacy mediators as legitimacy perceptions cannot be measured directly in this archival dataset. It is a complementary to study 1 that tests the full model. However, both studies analyze the effect of the communication of competitive distinctiveness and institutional conformity on performance considering different groups of stakeholders.

Throughout the empirical analyses, I use a mixed methods approach. Specifically, I utilize the convergent and holistic triangulation approaches. This methodology is appropriate as it allows to 1) generate a more complete understanding of the research questions by examining the relationships using different research methods (i.e., interviews, experiment, and online secondary data) targeting multiple audiences (i.e., investors and consumers), and 2) develop theory about the interactive and relative effect of distinctiveness and conformity on performance (Jick, 1979; McGrath, 1982; Turner, Cardinal, & Burton, 2017). The data collection and analysis begin with preliminary studies including semi-structured qualitative interviews with entrepreneurs and investors, followed by a pilot study with a sample of doctoral students to determine the appropriateness and the content of the vignettes to be used in the main study as well as a series of pilot studies with an online panel (i.e., MTurk workers) to determine the vignettes and the survey items to be used in the main study 1. Following the preliminary analyses, Study 1 is conducted via an experiment with MBA and graduate students at business colleges at 44 public and private universities in the United States to test the full model, including legitimacy as a mediator and the moderation effects of distinctiveness and category appeal. Study 2 consists of a quantitative content analysis of new venture identity claims on Twitter to further test the moderating effect of competitive distinctiveness on the institutional conformity-performance relationship. By conducting two separate studies with two distinct datasets and study designs, this dissertation sheds light into the microprocesses of legitimacy and integrates it with macroprocesses. Table 5 presents the research design phases.

Table 5. Research Design Phases

	PHASE 1	PHASE 2		
Study Design	**Qualitative Study**	**Quantitative Study**		
		Pilot Tests		
Study Name	Preliminary Interviews	*Pilot Test 1*	*Pilot Test 2a*	*Pilot Test 2b*
Method	Semistructured Interviews on a Videoconferencing App.	Qualtrics Survey	Qualtrics Survey	Qualtrics Survey
Sample	10 Entrepreneurs 10 Investors	Five Subject-Matter Experts	110 MTurk Workers	94 MTurk Workers
Goal	Vignette Design	*Vignette Validation*	Vignette and protocol validation	To improve the vignettes from Study 2a.
Analysis			Independent samples *t*-tests to compare means for the outcome variables.	Independent samples *t*-tests and ANOVA to compare means for manipulation checks.
Outcome	Categorization of Statements	Distinctiveness and Conformity Ratings	Higher pragmatic legitimacy for low distinctiveness than high distinctiveness vignettes. Higher normative legitimacy for low conformity than high conformity vignettes.	Higher distinctiveness manipulation score for high distinctiveness than low distinctiveness. Higher conformity manipulation score for low conformity than high conformity. Better results than Pilot Study 2a. Therefore, selected the vignettes in Pilot Study 2b to use in the main experiment. Mean of conformity is higher in Low Distinctiveness-High Conformity vignette (V4).

Table 5. (Continued)

	PHASE 3				
Study Design	**Quantitative Study 1**				**Quantitative Study 2**
Study Name	Study 1-Experiment (Between-Subjects)				Study 2-Twitter
Method	Qualtrics Survey				Archival data collection on social media platform.
Sample	328 graduate students in the business school of six public universities in the U.S. and Canada.				Twitter communication of 146 the highest growing companies in the U.S. with 16,582 firm-tweets.
Goal	Validate the vignettes	Answer Research Question 1 and test Hypotheses	Answer Research Question 2 and test Hypotheses		Test Hypotheses and answer Research Question 1.
Analysis	Independent samples *t*-test to test the manipulation checks and confirm the vignettes were appropriate.	Regression using PROCESS Macro in SPSS	Regression using PROCESS Macro Model 10 in SPSS	One-way ANOVA to compare the means of High Distinctiveness - Low Conformity vignette (V2) with the others	Content Analysis (CATA). Generalized linear multilevel model (GLMM). Negative binomial multilevel model in Stata.
Outcome	The mean of distinctiveness manipulation was higher for high distinctiveness than for low distinctiveness as expected. The mean of conformity manipulation was higher for high conformity than for low conformity as expected.	H1, H3, H4, H5, H7, H8, H9b supported.	High Distinctiveness and Low Conformity lead to positive outcomes.		H1, H2, H3a supported.

PRELIMINARY INTERVIEWS

The data collection and analysis begin with preliminary semi-structured interviews in order to determine competitive distinctiveness and institutional conformity elements within the new ventures' identity claims in business plans and their relative importance in the minds of the respondents (i.e., stakeholders). The primary purpose of the interviews with entrepreneurs and investors was to generate a better understanding of business evaluation criteria when making investment decisions which in turn helped creating the vignettes to utilize in the main experiment. I selected the interviewees from entrepreneurs and investors. More specifically, the interviews helped generate a better understanding of how new ventures were evaluated by investors from the entrepreneurs' perspective, and what role the level of distinctiveness and conformity played in those evaluations. By interviewing investors, the goal was to better understand investors' in-depth descriptions about their investment decisions (Huang, 2018) based on new ventures' identity claims and the effects of optimal distinctiveness and categories within this process. The former group was interviewed about how they create new ventures' identity claims, and how distinctiveness and conformity elements are constructed, integrated, and utilized. The latter group were interviewed to investigate how identity claims presented by entrepreneurs and distinctiveness and conformity levels were perceived, evaluated, and affected their investment decisions. I received a list of potential interviewees including entrepreneurs and investors was provided from the local Chamber of Commerce. In addition, I utilized business school alumni and faculty of a large land grant university to find and recruit interviewees. I recruited the interviewees via e-mail asking the potential interviewees whether they would be willing to participate in an interview about new ventures and investment decisions. To avoid any reporting bias, the recruitment e-mail included only general, rather than detailed, content of the interview. Institutional Review Board (IRB) approval was acquired prior to the recruitment of the respondents. The IRB consent form and the email template can be found in Appendix A.

The sample for these interviews consisted of 10 entrepreneurs and 10 investors. This sample size was adequate as the literature suggests that a minimum of 15 participants is appropriate in a preliminary interview study (Bertaux, 1981). The interviews started with some introductory questions to gather the respondents' background information and demographics, followed by questions more focused on the nature of entrepreneurial communication and investment decisions. During this process, I consistently modified the interview protocol to address any emerging issues (Newcomer, Hatry, & Wholey, 2015). Semi-structured interviews were appropriate as I was knowledgeable enough about the area of focus of the interviews, and was able to create questions about the topic, however, was not able to anticipate the answers the interviewees would give (Morse & Richards, 2002).

To ensure the validity and reliability of the findings, the fit of the question was of high importance (Morse & Richards, 2002). To do so, I prepared semi-structured questions in advance, but I also modified them during each interview allowing the interviewees to answer more accurately via open-ended questions. While often the questions were consistent and followed the same basis for each interviewee, I modified the order and the content of the questions based on the responses of each participant. Supplementing main questions with planned and/or unplanned questions is an appropriate procedure in semi-structured interviews (Morse & Richards, 2002). This allowed me to obtain deeper insights from the entrepreneurs and investors. For instance, when an investor stated that "we'll definitely look at the market analysis”, I followed up with a question asking “what are the most important aspects of the market analysis? What kind of market positioning compared to competitors is more attractive to you as an investor?” Or similarly, when an investor said that “the market size is important”, I asked a follow up question “do you invest in larger markets or smaller ones and why?”

I conducted the interviews on Zoom, a videoconferencing application. I also audio-recorded the interviews and then had them transcribed resulting in a total of 221 pages. Videoconferencing via Zoom allows for a real-time, online synchronous conversation with the interviewee transferring audiovisual information (Salmons, 2015) making it a viable alternative to in-person interviews (Irani, 2019). Conducting interviews on Zoom provided me with the opportunity to reach out to the qualified interviewees regardless of their geographic area. Interviewees included investors and entrepreneurs from Texas, Oklahoma, New York, Wisconsin, and Indiana. Moreover, interviewees were able to avoid time and travel expenses as well as they benefited from being in a comfortable place during the interview. I utilized the findings from these interviews to construct the vignettes (i.e., variations of levels of distinctiveness and conformity in executive summaries) as well as to select the appropriate scale items and to conduct a series of pilot study for the experiment in Study 1.

The interviews were scheduled for an hour and lasted 45 minutes on average providing enough time for receiving meaningful responses to open-ended questions. This also increased the trustworthiness and accuracy of responses, which in turn supported the validity and reliability of the interviews (Teddlie, Tashakkori, & Johnson, 2008). While being open-ended in nature, the questions were grounded in existing theory providing for the face validity and construct validity of qualitative data (Swinton & Mowat, 2006; Grossoehme, 2014). For instance, the question “what do you think are the most important characteristics of a new venture while making an investment decision?” aimed at gathering different characteristics of new ventures in the decision making of investors and the answers were coded based on this existing theory and literature (e.g., competitive advantage, entrepreneur’s credibility and experience).

Participant bias was mitigated by asking open-ended questions that were not leading. Researcher bias was alleviated by allowing the interviewees express what they think and take the time for it and considering all answers in the coding process without excluding any due to unexpectedness of its content, thus avoiding confirmation bias. Moreover, by avoiding too focused questions at the beginning, potential question-order bias was eliminated (Chenail, 2011). Full list of interview questions is presented in Appendix A.

Interview Process and Analysis

I analyzed the transcribed interviews were analyzed using a deductive content analysis. Deductive content analysis was appropriate as there is an existing knowledge base to form the categories and code the content of the interview and the goal was to match the data in the interviews to grounded theory (Elo & Kyngäs, 2008). I built a categorization table based on existing theories and literature to match the hypothesized constructs which reflects a directed approach to content analysis contrary to conventional content analysis, in which categories are derived directly from the data (Hsieh & Shannon, 2005). Then, I reviewed all the interviews and coded them in the related categories (Polit & Beck, 2004).

Interview Findings

Sample Descriptive Statistics

During the interviews, I collected demographic information to ensure the appropriateness of each interviewee (Pannucci & Wilkins, 2010) as well as to add validity to the qualitative study. While the experiment was to be focused on investors' decision-making, the interview sample included both investors and entrepreneurs as the latter is also a critical group to understand the important aspects of business plans. Since there were two groups of interviewees, I generated the sample descriptive statistics separately for each group.

Of the 10 investors interviewed, all were male, 90% were white and 10% were Hispanic. 80% of them were employed; 10% were self-employed and 10% were retired. 20% held a bachelor's degree, 40% held a Master's degree, and 40% held a doctorate degree. All were married. Their average age was 54. 30% were bankers, 70% were Venture Capitalists (VCs).

Of the entrepreneurs interviewed, 70% were male, and 30% were female; 80% were white, 10% were Asian, and 10% were African-American. 10% held a High School degree, 60% held a bachelor's degree, and 30% held a master's degree. 30% of them were single, and 70% were married. Average age of the entrepreneurs interviewed was 40.6. 10% were students, 10% were employed for wages, 70% were self-employed, and 10% were retired. Table 6 provides an overview of these statistics.

Table 6. Interview Sample Descriptive Statistics

Investors			Entrepreneurs		
	Mean (SD)			**Mean (SD)**	
Age	54	(10.646)		40.6	(13.858)
Categories	***N* (%)**		***Categories***	***N* (%)**	
Gender			Gender		
Male	10	(100)	Male	7	(70)
Female	0	(0)	Female	3	(30)
Race			Race		
White	2	(20)	White	8	(80)
Asian	4	(40)	Asian	1	(10)
Hispanic	4	(40)	Hispanic	0	(0)
African-American	0	(0)	African-American	1	(10)
Employment			Employment		
Retired	1	(10)	Retired	1	(10)
Employed for Wages	2	(80)	Employed for Wages	1	(10)
Self-Employed	1	(10)	Self-Employed	7	(70)
Student			Student	1	(10)
Degree			Degree		
High School	0	(0)	High School	1	(10)
Bachelor's	2	(20)	Bachelor's	6	(60)
Master's	4	(40)	Master's	3	(30)
PhD	4	(40)	PhD	0	(0)
Marital Status			Marital Status		
Single	0	(0)	Single	3	(30)
Married	10	(100)	Married	7	(70)
Type of investment					
Banking	3	(30)			
Venture Capital	7	(70)			
Total Sample	20				

Interview Coding and Categorization of Statements

First, I coded the interviews based on the characteristics of new ventures that mattered in the decision-making process of the interviews. Then I grouped them into main themes drawn upon existing literature. There were six main themes coded (i.e., team, entrepreneur, idea, financial, industry, business plan). These statements and categories reflected the independent variables of interest in the quantitative study: distinctiveness, conformity, and category appeal. For example, “better product”, “cheaper”, “idea”, “team”, “informational advantage”, “innovative technologies”, “atmosphere”, were some of the characteristics that were mentioned to be the most important characteristics of a differentiated business. Similarly, “certification”, “licensing”, “standards”, “regulations”, “compliances” were discussed and communicated conformity of the new ventures.

Category appeal, defined as the extent to which the audience finds a category membership (e.g., luxury cars) appealing (Alexy & George, 2013), was reflected within the information related to industry and market. For instance, knowing the industry, meaningfulness of the industry reflected the perspectives about the category appeal and its role on investment decisions. I selected these categories and keywords to include in the vignettes. Table 7 below represents the categorization of statements including the major themes, keywords used in coding for the key constructs and includes flagged statements.

To ensure reliability of the qualitative data analysis, I developed the vignettes to be used in the experiment based on the findings of the interviews and tested them in a series of pilot studies. The first pilot study included subject-matter experts consisting of entrepreneurship doctoral students who evaluated developed vignettes based on the main variables of interest (i.e., competitive distinctiveness and institutional conformity). The second pilot study was conducted online through Qualtrics with MTurk workers to improve the design of the vignettes.

Table 7. Categorization of Statements

Theme	Keywords	Quotes
Team	Management Team	Now, many people think of venture capitalists are investing in technology. We're looking for this unique technology. Well, that happens to be true, but that is not the primary driver over invest. The primary driver investment is that management team. We were investors who invest in risky deals. We're not risky investors. The difference is, I need to know what risk I'm signing up for. And that comes back to the team. Do I believe they've got a handle on all the risks and they've got plans for managing the risks? What are the unique differentiation of their idea or their team? It's just the go to market and the management team that really differentiate. The team didn't believe they could actually execute. So it's the same reason that that's why I wouldn't invest. That would be the number one. You know, even if I thought that deal may not be perfect, if I really believe in the teams, then I wouldn't know that the team issue is a binary on both sides. If I don't think they're good, the next few well after how good the businesses, I'm not going to be interested in. And it may not be a perfect deal, but if I believe in the team, I might take the risk on it that they'll figure it out. Does the management team have the relevant domain knowledge to execute? We need a team that we believe can execute the business plan. When I'm looking at a team, I want to make sure that the interests of the leader are aligned with my interests. What I'm looking for is alignment, because for it to be incredible success, if it's really going to depend on the team, then I want to make sure the team is the strongest part of that deal. What we're looking for is a management team and a differentiated technology. Those are the two key elements, so the very first step is send us your business plan. We're going to evaluate the business plan. Can the team execute? We believe this team has the resources and capability and knowledge to execute that business plan. Now the very next step, if we like the model, we like the market, we like the team, like all the aspects of the business plan, which we, by the way, believe it will never come out the way it's put on paper. So, but nonetheless, it's still the key document that gets across the start. Now we're going to have a meeting with that management team. And that's a very, very important meeting because it's not all about the differentiation of the marketplace for that unique technology. If the team has a good team, they're going to figure things out. It's really all about that business plan team.
Entrepreneur	Credibility	From my experience, what is more important is that there are certainly borrowers that are the last to give up or to give in. And my experience, that is just as important or as important as any of cashflow, credibility is their individual credibility and integrity. I think one is demonstrated credibility within whatever venture you're going to get involved in. So the credibility was maybe one of the more important things.

Theme	Keywords	Quotes
Entrepreneur (Cont'd)	Experience	What kind of experience they have is important as well. If it's a purely pure startup, they don't have historical financials yet. The financials are probably not as important as other things.
	Personality	We're going to look at the character of the entrepreneur… later in my career, I found that I would prefer to work people that I work with, people that were generally nice people, rather than work with people that I knew that would give me a hard time.
	Enthusiasm	I think that my personal enthusiasm and expertise in this area matters.
	Enthusiasm	It was all about his energy, his enthusiasm, but that might be a good example of what I've been trying to put my finger on or base our inner works.
	Commitment	A big part of that we look at the owner's commitment to the business. So it's even more so important that we know who we're dealing with, that we know the players and we know their commitment. Being able to recognize someone that's going to stick to it and not give up.
	Openness to Adapt	45 years later that, that he survived because he was committed and willing to adapt and not just quit whenever... , his team commitment and their willingness to think outside the box… At the beginning during the idea generation phase, the biggest thing during that phase of the entrepreneurial journey is an open mind, like continuously being curious, discovering and, and asking a lot of questions to multiple different stakeholders, not only your customer, your perceived customers, but also people in the supply chain, and engineers and manufacturers There's this interesting balance of being the expert, but also being coachable that's really important. It was definitely about those individuals. I think there is kind of interesting balance of being the expert, but also being coachable that's really important. He had to move on to a different product line or do something else and, a good jockey will do that.
	Knowledge	If they don't know what they're doing, I'm not going to invest. If they don't have any historical financials, then, we want to make sure that they had a good business plan, good proformas, they've done their research, industry research, marketing research, that they have a good handle on what's going on in the economy.
Idea	Differentiation	The differentiation has to be great enough that we're going to capture a significant portion of the market. You've got to beat the market one way or the other. Now you can have a product that's so differentiated, so completely different. And that's really cool. And it's also very scary because people are resistant to change. They're resistant to reducing costs. So if your product is better, because it's cheaper is pretty close to the same thing, that's an easy sell. If it's half the price and it's truly differentiated and is patented, it could be protected, then it will be differentiated

Theme	Keywords	Quotes
Idea (Cont'd.)		If it's a unique product, but it's not so unique that people can't understand it. They get scared of it as it is so unique. Then that's a good thing. But if it's so unique that it's just a world of difference, that'd be really great. We're going to look for the elements of differentiation and all of that should be contained in business plan, but we're going to do our own outside evaluation of that industry and understand the drivers of technology for differentiation. If it's like a disruptive deal, do I think this will really appeal to customers? Does anybody care about the difference? it just depends on how you're differentiating and how much of an advantage it gives shape. So when you're doing something that's highly, that's really disruptive, it really helps that people understand what the problem is and they know the industry. If it's so it's so disruptive, then you wonder, why nobody else has done it, or why am I so lucky to be talking to the one person that came up with this sort of incredibly novel idea? The idea that you have to be different. I don't know that I agree with that either. There are plenty of copycats doing the exact same thing that everyone else is doing. And while their brand might be slightly different at the core, they're exactly the same. I don't think it's actually about difference, it's about how are you going to win and can you get enough pie if there are X amount of other companies doing the same exact thing, how do you edge them out? We rarely wouldn't invest in something that doesn't have some sort of market differentiation. Does my product have a clear benefit for me? It has to have a benefit around something to use it. There's lots of other products that have that benefit. So how's it different? Why should I care about this? And if you're very different and you've got a benefit that's attractive, then I'm not questioning whether or not you can pull it off. Whether you're a technology company or nontechnology company, do you clearly differentiate yourself from what's available on the market and, and you have to have a reason. I would rather invest in a company that makes widgets and makes them every day. We're like Gore-Tex for composite materials. They need to be differentiated to differ, but they can't be so different that they're strange that they're straight to the marketplace. If the marketplace views them as strange, they're going to be scared to try them. So if you're strange, you're going to have a hard time getting acceptance in the industry because you're so uniquely different.
	Problem and Solution	You want to solve a big problem because people see value in solving a big problem. We were solving a problem that hadn't been solved and the way we were approaching it before.
	Competitive Advantage	I think most of them are looking for, what is your strategy? What is your SCA, what is your sustainable competitive advantage that makes you different? Because they see differentiation as a reason that you're even in. But a percent of sales is what is that attracted them in the first place. So they want to know that your strategy, your SCA, the consistency of services and products is also important.

Theme	Keywords	Quotes
Idea (Cont'd)		So as it relates to competitive matrix, as I would say, two things, one is, is there a competitive benefit matter? Cause sometimes people have competitive benefits compared to the competition, but it may be irrelevant in the market. So it's making sure their competitive benefits actually match what the customer needs. And then making sure the competitive matrix that has their differentiated position is actually matters.
	Technology	Ability to tell a compelling story, to really visualize the problem and then create a solution with patterns. I think the technology was sound enough. I would say, but I would say compelling story with key, like really understanding how to arc the summary of the technology meeting a need in the market and why that need was, why that need would needed to be met at the time. But whether you're a technology company or nontechnology company, do you clearly differentiate yourself from what's available on the market and, and you have to have a reason. Now, many people think of venture capitalists are investing in technology. We're looking for this unique technology. Well, that happens to be true, but that is not the primary driver over invest. The primary driver investment is that management team. Commercializing novel technology is difficult because not a lot of general people understand the science. It's not all about the differentiation of the marketplace for that unique technology. We were doing something and leveraging some technology that, that hadn't been done in that way
Industry	Industry	Is it an industry we know anything about or want to learn anything about? We do our own outside evaluation of that industry and understand the drivers of technology for differentiation Can you capture big enough with the market share based on your model that you've got to make it profitable for me to invest in this deal and put my cash, you to create an exit that's worthwhile for us and everybody else to make money on it? If it's a business that we know nothing about, we have no expertise in no experience in, no way to get comfortable with it. If we don't really understand the industry, I don't have experts in it, or that's something that we would, we would stay away from it. We tend to stay focused on markets that are already existing and looking for our market niche.
	Market Size	I got to understand what is the market using today and what is the purpose of the product. It's still a big market and your product differentiates itself well enough with the competitor, but it's still not different to sell because it's half the price or a third, the price, because it's a third the cost and you're going to make a lot of money selling it and the customer is going to like it because it's very, it's very similar to what they used today We'd look at the size of the market and the potential for the size of the market, because sometimes you're introducing a new product and service. So you don't really know for sure how big the market can be. So sometimes you're looking at what the established market might need. Sometimes you're going to speculate on whether or not the market is going to be an adequate size to justify, making an investment in, I'd say the second is, I'm going to give you when I look at it, the second is looking at product gross margin.

Theme	Keywords	Quotes
Industry (Cont'd)		It just depends. I mean, sometimes, sometimes we're investing in things where the market doesn't even exist. And so we're trying to create the market. Sometimes we're investing in markets where the market is well-established and it's there and we're just going to exploit the existing market points.
	Competition	We're going to look pretty closely at their marketing plan. How they're going to market their business, what their target market looks like. What the competitors landscape is, what their market share is, is there room for additional new business in that particular space?
		Because you want to make sure that they got a competitive swimming lane. You're going to look for where they're swimming lane is and then making sure you're stealing because often that's then begins the discussion about a position.
		Competition isn't necessarily a bad thing, but if the market is too saturated, then that's going to be a negative.
		I did want there to be a fair share of competition. I didn't want them to be entering a space where there was no competitors, because basically what that tells me is that's just not a space that is going to be profitable
		We did that by explaining exactly who our competition was.
	Trends	What we want to see is that there are some sort of trend, and hopefully that trend is trending upwards.
		Looking at the market trends and finding a solution that had a proprietary position to take advantage of a market trend.
	Regulations	So if you're going into a market with many well-established competitors, the regulatory pathway is probably a lot easier because the FDA is already comfortable with those devices. I you've got something interesting, those kinds of other barriers are not as relevant, but you have to think about your market fit. Whereas if you're going into a brand new market and creating a new market, then the barriers to entry are higher. So you look at the doctors, you know, we're going to have a high skepticism of prescribing a drug Alzheimer's patients, unless they see good results, good safety data, et cetera.
	Conformity	And on the conformity side, you use that to open conversations. I would just say conformity is just a way to get in the door, but it doesn't set you apart.
		And so in my opinion, and in our kind of marketing material, it's like, okay, it's a very similar product, but at the same time, we're more affordable than our competitor.
		There needs to be a level of conformity that you are not off the rails like that.
	Certification	The certifications would be a real strong point maybe with like a biotech or a health science plan.
		Not only we use that certification as kind of a marketing tool, or being able to emphasize PCI compliance, but, but even I said, Hey, if you use our product, there are ways that you may even be able to have an easier path to your own PCI compliance thanks to these features.

Theme	Keywords	Quotes
Business Plan		And that's the way I've arranged the business plan. What's the technical risk, what's the problem with solution? How do you make money on it then the market risk? How big is the market? Who's your competition? What's your sales approach? And then the operations risk. What do you do? Who is a management team and how do they do it? And then what's your milestones. What's your timeline to get it done. Then lastly, if talking about the financial stuff, how much money do you mean to launch the business? How much money you're going to make from your financial statements? And then what's your exit strategy. So how do we catch up? And then we look holistically at what are your other risks and how do we mitigate those risks that are specific and unique risks that, that, you know, are cognitive mirror to your keys to success. I'd be turned on with concise, precise information with not a lot of chatter in words. The business plan, a lot of it is warm, fuzzy, that anybody could pull out of the internet. So I don't put much credibility at all into that narrative part of it, but the proforma certainly is where we turn our analysts loose on whether that makes sense.
Financial	Cashflow Projections	I think the pertinent information about the new company, about who their competitors are, about who they're going to sell to about, in the bottom, getting to how, how they're going to create cashflow. You always want to be somewhat different from your competitors if it's in the banking industry, or if it's in oil and gas, but when you're different and you're a startup, that's a bit unproven as far as cashflow generators concern. So, it kind of depends on where they're different.
	Profitability	I didn't want them to be entering a space where there was no competitors, because basically what that tells me is that's just not a space that is going to be profitable.
	Risk	So if I'm running a venture capital fund and I've had a lot of successes in, I've already returned a nice amount of money to my investors, then I may be willing to do more high risk deals. Obviously when we say try new X, they're trying new ways with our investment money, so that that's a bit more risk than the person that's going to the proven track.

DEVELOPMENT OF VIGNETTES AND THE SURVEY INSTRUMENT

Once I finalized and coded the interviews, I developed the vignettes (i.e., variations of a business plan executive summary) to be used in Study 1. I utilized an existing technology[3] developed by a national laboratory as a basis for the vignette development. The basis executive summary was modified to match four different types of vignettes, including various combinations of competitive distinctiveness and institutional conformity as shown in the Table 8 below.

Table 8. Vignette Combinations

Executive Summary (Vignette) #	***Communication***	
	Competitive Distinctiveness	**Institutional Conformity**
1	High	High
2	High	Low
3	Low	Low
4	Low	High

I used the keywords extracted from the interviews while constructing the vignettes. For instance, vignettes with high distinctiveness communicated that the new venture presented in the summary is an "innovative" startup, and its "products are one of a kind" (i.e., *unique products*), offering benefits and competitive advantages such as "durability, longer lifespan than competitors, being high temperature resistant". Competitive advantages and even main competitors are listed to communicate how this new venture was different from its competitors. Customer validation was mentioned several times by the investors and entrepreneurs during the interviews as an important characteristic of a good business plan and a new venture investment. If the customers validate (e.g., approve) the product or service offered by the new venture, it means that the new venture has something different, better,

[3] I worked with this technology with my team in an MBA course where we had developed a business plan for it.

desirable to offer or that it has a potential position in the marketplace; thus, making it an appealing investment for investors. Therefore, customer validation was communicated through the following: "*We have already talked to many companies from various industries, and we know there is a demand in the market for our ceramic HEPA filters*". The message being was that the new venture had a proof of concept and the technology was satisfying the needs of target customers by its unique and superior features (i.e., competitive distinctiveness). The vignettes also communicated that this venture offered good customer service in a friendly environment addressing other point of differentiation and benefits (i.e., competitive distinctiveness). In addition, they listed the characteristics of the products offered and costs which also reflected the new venture's competitive distinctiveness.

In terms of institutional conformity, the corresponding vignettes communicated that the technology was developed at Provia National Laboratories [4]by providing an already legitimate, existing company as a partner, which facilitated the communication of conforming to industry standards and regulations. This was supported by the following sentence: "*Provia has an extensive background and experience with development of filtration systems*". In addition, it was communicated that the technology was already approved and patented, which communicates conformity to institutional regulations and laws, as well as intellectual property protection. "*We follow government regulations closely and meet the industry standards*" also strengthens the conformity message. "*Our certified products comply with the new regulations in the healthcare, food, and chemical industries*" communicates conformity as well as feeds from the legitimacy of established industries (e.g., healthcare, food, chemical). In other words, by claiming to conform with the regulations in these

[4] Fictional names were used in the vignettes for anonymity.

industries, the new venture communicated that it belonged to these industries, and thus borrowed legitimacy from them.

While vignette studies have been criticized for being difficult to generalize as they may not accurately represent real world phenomena (Evans et al., 2015), the vignettes designed for this study offered both high internal validity of the experimental design and the high external validity of the survey research as a result of the design. The reason for high internal and external validity is explained below.

I followed the recommendations for developing vignette content (see Evans et al., 2015) during the vignette creation. For instance, the content was drawn upon literature and experience, and presented clearly, with fewer than 500 words, adopted a narrative, had a similar structure for each vignette, were relevant and relatable to participants, and did not highlight any variables of interest.

During the development of the vignettes, I considered the internal validity, appropriateness to the research question, realism, relevance, timing of the vignettes as well as the type of participants as these are suggested to be the most important factors in a vignette design (Hughes & Huby, 2012). Internal validity is ensured by developing vignette content that is relevant and adequate the research topic (Gould, 1996; Flaskerud, 1979), which is the executive summary of a new venture's business plan that includes both distinctiveness and conformity language. Following the recommendations on developing vignettes that meet the internal validity requirements (e.g., Gould, 1996), I took the following steps. First, the new venture technology presented in the vignettes is a real-world technology that I had developed a business model for with a group of other students. Therefore, it can be considered as case study material. In addition, my experiences as a business consultant and professional experiences (Wilson & While, 1998) have contributed to the relevance of the vignettes. Moreover, an expert panel of doctoral students in entrepreneurship judged the appropriateness of each vignette for the study. Their knowledge and experience in entrepreneurship and new venture strategy added to the internal validity of the vignette content. In addition, I conducted a series of pilot studies to ensure that the vignettes and the questions were pretested and resulted in the expected relationships.

In addition, the vignettes developed for this study were appropriate for the research question as they were "paper-people" vignettes (Kinicki et al., 1995, p. 354) requiring low cognitive efforts and selective attention (Hughes & Huby, 2012). As the goal of this study was to measure the investment decisions of stakeholders based on textual content (i.e., business plan executive summary), written vignettes were adequate.

I selected the respondents for the experimental design among graduate students in business colleges of U.S. universities, including both MBA and PhD students. This sample was a good match for the type of vignettes used in the experiment (Weisman & Brosgole, 1994), since graduate, business college students are usually more experienced and knowledgeable about business strategy than undergraduate students. More detail is provided in the *Sample* section of Study 1.

The vignettes were developed to be engaging, interesting for the participants, and realistic. By staging the vignette scenarios and asking the respondents to behave like an investor as they answer the questions made them more interesting (Sim, Milner, Love, & Lishman,1998). This also helped avoid social desirability bias, since the respondents were instructed to respond the vignettes from the perspective of vignette characters, rather than themselves (Bettor, Hendrick, & Hendrick, 1995; Constant, Kiesler, & Sproull, 1994;

Hughes & Huby, 2012). In addition, each vignette was short, with the longest being 5 paragraphs with easy-to-read sentences designed to minimize potential vignette response fatigue (O'Connor & Hirsch, 1999) and maximize response rates (Lawrie et al., 1998). The average survey time was 5 minutes providing evidence that the survey questions and the vignettes were designed to avoid response fatigue. Since the technology and the new venture selected as the basis for the vignettes was a real-world technology, the vignettes were as realistic as possible which is key for the internal validity (Finch, 1987).

Vignette Validation: Pilot Study 1

I first tested the vignettes with five subject-matter experts who are doctoral students in entrepreneurship. I used a within-subjects design and presented the respondents with all four manipulations of vignettes and gave them detailed instruction with full disclosure. My goal was to validate the independent variables manipulated in the vignettes. Therefore, I asked the respondents to rate the level of competitive distinctiveness and institutional conformity for each vignette. I conducted this pilot study using an online survey where I included the instructions as well as definitions of each construct of interest (e.g., competitive distinctiveness and institutional conformity). Table 9 below presents the definitions shared in this pilot study.

Table 9. Definitions of Key Variables

Competitive Distinctiveness is the degree of deviation from the established categorical prototype (Navis & Glynn, 2011). It communicates how the company is better than competitors (Navis & Glynn, 2010) and lends competitive advantage to companies. Entrepreneurs can utilize their resource capital (e.g., technological, financial, intellectual, human, and social capital) to communicate their distinctiveness (Lounsbury & Glynn, 2001).
Institutional Conformity: Also called as "isomorphism," conformity represents the resemblance of an organization to other organizations in its environment (DiMaggio & Powell, 1983; Deephouse, 1999). Institutional conformity happens when companies align with established laws, rules, expectations of the society and the institutions (Rindova et al., 2009).

I analyzed the pilot study 1 using one sample *t*-tests to test the manipulation checks. The results suggested that the means of each vignette were statistically different, and high distinctiveness vignettes (V1 and V2) had higher means (*M* = 84.40, *SD* = 10.69 and *M* = 88, *SD* = 10.00 respectively) than low distinctiveness vignettes (V3 and V4) (*M* = 11.80, *SD* = 7.86 and *M* = 35.40, *SD* = 27.89 respectively). Similarly, high conformity vignettes (V1 and V4) had higher means (*M* = 75.00, *SD* = 32.29 and *M* = 83.40, *SD* = 16.24 respectively) than low conformity vignettes (V2 and V3) (*M* = 35.60, *SD* = 30.83 and *M* = 33.00, *SD* = 27.86 respectively). Since I found support for the vignette construction, I conducted a pilot study to further validate the vignettes.

Vignette Validation: Pilot Study 2

To ensure the internal validity of the vignettes and the scales, as well as to test the procedure, I conducted a second pilot study using the vignettes and the survey items (Hughes & Huby, 2012) with a larger sample than the Pilot Study 1. To ensure the validity and the reliability of the measures, I selected validated scales from the existing literature to measure pragmatic legitimacy and normative legitimacy (Gould, 1996; Hughes & Huby, 2012). Contrary to the Pilot Study 1 which was a within-subjects design, I implemented a between-subjects design following the same design as the main experimental study in the Pilot Study 2.

I conducted the second pilot study to test the appropriateness of the vignettes as well as the instruments to be utilized in the experiment. The longest vignette was made of 5 short paragraphs. Each vignette had short sentences. This design helped avoiding potential loss of interest and fatigue (O’Connor & Hirsch, 1999). In addition, since the vignettes were based on a true technology and customer validation interviews and research, they meet the criteria for the realism of the vignettes to make them more engaging and more prompt for realistic responses.

Sample

I conducted the second pilot study in 2 waves. In the first wave (Pilot Study 2a), there were 204 responses of which 110 were valid since the rest was eliminated as the respondents did not qualify (i.e., they were undergraduate students or not business school graduate students). The second pilot study (Pilot Study 2b) received 196 responses of which 94 responses were valid.

Methods

I conducted these pilot studies online via Qualtrics and recruited MTurk workers to participate in this study. Each respondent was compensated $1 to participate in the survey that took 5 minutes on average. The recruitment criteria were for the respondents to be a graduate level student in the business school of a university, including MBA, PhD and other graduate degrees. A screening question of “Are you an MBA or a Graduate Student in the Business College?” was utilized, and if the respondents selected “No”, their survey was terminated. The pilot survey started with demographic questions including the current level of studies and degree. This allowed for a second screening such that if any respondent selected “undergraduate”, their responses were not included in the analysis. Following the demographics questions, the respondents were asked whether they had experience creating or evaluating business plans. This question was not a screening question, however, was intended to give insight for the validity of the sample selection. While experience in creating and/or evaluating business plans was not required to take the survey, the responses in the main study were then utilized to compare whether experience made a difference in the responses gathered. Following the question about the experience, each respondent received an instruction:

"*In this scenario, you are expected to act like an investor. We will present you the executive summary of a new venture's business plan and ask you to answer several questions about your perceptions. Please read the business plan summary carefully and answer the following questions according to the text. You can scroll up to read the text again while answering the questions*".

This instruction was followed by a vignette representing the executive summary of a new venture business plan. Each respondent received a vignette randomly using the randomizer tool built in Qualtrics. After the vignette, each respondent was asked the same survey items. A factorial survey design with survey scale items asking the participants to rate their responses on a Likert scale allowed for incorporating a broad range of variables in the research (Alves & Rossi, 1978). The respondents were able to navigate back and forth to read the vignette again if they needed to answer the related questions. This allowed for the internal validity of the responses as the objective was to measure how investors would evaluate executive summaries of business plans, the respondents were not expected to memorize them but were allowed to reread them as many times as they liked before answering each question.

After each wave, I analyzed the data, and made the necessary modifications to the vignettes. For instance, I removed the closing sentences requesting specific amount of funding: "*We are looking for an investment of $300,000 for 20% equity. We project to make $8 million in profit by the end of year 5, which will create 28% return on investment*". Instead, I included "*We are looking for an investment in return for equity*". This modification was done to keep the respondents' focus on the qualities described in the text rather than the return on investment while making their investment decisions. In addition, I removed numbers and prices such as “from $1,5000 to $2,000”. In short, the modifications were not substantial. More modifications were made to Vignette 3 to make it low in distinctiveness and low in conformity. The vignettes used in Pilot Study 2a and 2b are presented in Table C1 in Appendix C. The survey items’ selection is described in detail in the Study 1 Experiment section. The scale items used in the Pilot Study and the main Study 1 are presented in Table 10 below. The results of the analysis of vignettes in each wave is presented in following pilot study results section.

Table 10. Survey Items

Pragmatic Legitimacy	**As an investor, how much do you agree with the following statements about the new venture described in the executive summary compared to similar businesses?**	This company has staff and managers with superior skills. This company offers greater opportunity for customers and members to influence the way things are done. This company is more innovative in developing new products and services. This company better understands their customers’ needs and concerns. This company is more supportive when members and patrons have financial problems. This company is better managed and operated. This company has a friendlier and more helpful atmosphere.
Normative Legitimacy	**As an investor, how much do you agree with the following statements about the new venture described in the executive summary?**	I agree with the company’s business practices. This company contributes positively to society. This company follows the best management practices.
Category Appeal	**Which of the following best describes the category in which the new venture operates?**	High-Tech Low-Tech Non-Tech
	As an investor, how much do you agree with the following statement?	“**The category** (high-tech, low-tech, or non-tech) in which the new venture operates is **appealing to me**.”
Investment Intentions	**As an investor, how much do you agree with the following statement?**	“I would invest in this company.”

Pilot Study 2a: Vignette Selection Results

After the first wave of the pilot study data collection (Pilot Study 2a), I conducted statistical analyses with the objective to determine whether the vignettes were different from each other and whether they were leading to expected results.

I conducted an independent samples *t*-test to test the mean differences between high and low distinctiveness and pragmatic legitimacy. Due to the smaller sample sizes and these studies being pilot studies to determine the vignettes, I adopted $p < .10$ for the pilot study tests. The Levene's test was not statistically significant (($F(1, 108) = .854$, $p = .358$), therefore it was concluded that the variances were equal between the two groups. The *t*-test for equality of means was significant ($t(108) = -3.145$, $p = .002$) indicating that the main effect of competitive distinctiveness was significant. The results suggested that the mean of distinctiveness was lower for vignettes with high competitive distinctiveness (i.e., V1 and V2) ($M = 5.31$, $SD = .73$) than for Vignettes with low competitive distinctiveness (i.e., V3 and V4) ($M = 5.72$, $SD = .63$).

I also conducted another independent samples *t*-test to test the mean differences between high and low institutional conformity and normative legitimacy. The Levene's test was not statistically significant (($F(1, 108) = .000$, $p = .982$), therefore it was concluded that the variances were equal between the two groups. The *t*-test for equality of means was significant ($t(108) = -1.775$, $p = .079$) indicating that the main effect of institutional conformity was significant. The results suggested that the mean of conformity was statistically different between high institutional conformity vignettes (i.e., V1 and V4) ($M = 5.41$, $SD = .86$) and low institutional conformity vignettes (i.e., V2 and V3) ($M = 5.69$, *SD* = .82). While significant, low institutional conformity had a higher mean for high institutional conformity.

The results from Pilot Study 2a (see Tables 11a and 11b) showed evidence for a significant difference in means between high and low competitive distinctiveness as well as between high and low institutional conformity. However, the mean of pragmatic legitimacy was higher for vignettes with low competitive distinctiveness than for vignettes with high competitive distinctiveness. Similarly, the mean of pragmatic legitimacy was higher for vignettes with low institutional conformity than for vignettes with high institutional conformity. Therefore, I manipulated the vignettes and conducted a second pilot study with another sample of MTurk workers on Qualtrics. This study received 196 responses of which 94 responses were valid.

Table 11a. Independent Samples *t*-Tests for Distinctiveness and Pragmatic Legitimacy (Pilot Study 2a)

	Pragmatic Legitimacy						
	High Distinctiveness	**Low Distinctiveness**	**B**	***t***	**df**	***d***	***p***
Mean	5.31	5.72	-0.41	-3.145	108	0.68	0.002
SD	0.73	0.63					
n	54.00	56.00					

Table 11b. Independent Samples *t*-Tests for Conformity and Normative Legitimacy (Pilot Study 2a)

	Normative Legitimacy						
	High Conformity	**Low Conformity**	**B**	***t***	**df**	***d***	***p***
Mean	5.41	5.69	-0.28	-1.775	108	0.84	0.079
SD	0.86	0.82					
n	55.00	55.00					

Pilot Study 2b: Manipulation Check Results

I included manipulation checks in Pilot Study 2b in order to ensure construct validity after the implemented manipulations to Pilot Study 2a vignettes. These manipulation checks allowed for determining whether the desired effect was achieved through the experimental conditions (Nivette & Akoensi, 2019). As such, the respondents were asked to rate the level of competitive distinctiveness and the level of institutional conformity in each executive summary ranging from 1 to 5, with 1 being “low” and 5 being “high”. They were asked: “Based on the summary you read, how distinct (different) is the company from its competitors in the industry? Rate the level of distinctiveness (differentiation) on a scale of 5 (1 = Low Distinctiveness and 5 = High Distinctiveness). Based on the summary you read, how much does the company conform to the laws, rules, and expectations of the society and the industry? Rate the level of conformity on a scale of 5 (1 = Low Conformity and 5 = High Conformity)”.

First, I conducted an independent samples *t*-test to test the mean differences of the distinctiveness manipulation check scores between high and low competitive distinctiveness vignettes (see Table 12a). Independent samples *t*-test was appropriate as it met the assumptions of normal distribution of the dependent variable for each group and homogeneity of variances. Other assumptions of continuous dependent variable and categorical independent variable were satisfied. In addition, the sample was randomly selected from the population and there was no relationship between the subjects in each sample. Moreover, the number of subjects in each group was nearly balanced ($N1 = 46$, $N2 = 48$ for competitive distinctiveness and $N1 = 49$, $N2 = 45$ for institutional conformity).

The Levene’s test (($F(1, 92) = 4.062$, $p = .047$) was statistically significant, therefore it was concluded that the variances were not equal between the two groups. The *t*-test for equality of means was significant ($t(92) = 2.291$, $p = .024$) indicating that the main effect of competitive distinctiveness was significant. The results suggested that the mean of distinctiveness manipulation check scores was greater for vignettes with high competitive distinctiveness (i.e., V1 and V2) ($M = 3.77$, $SD = .91$) than for vignettes with low competitive distinctiveness (i.e., V3 and V4) (M = 3.26, SD = 1.24). These results were as expected. Cohen's d for competitive distinctiveness condition resulted in a value of 1.08 which is considered a large effect size (Cohen, 1992).

Second, I conducted another independent sample t-test to test the mean differences of the conformity manipulation check scores between high and low institutional conformity vignettes (see Table 12b). The Levene's test ((F(1, 92) = 1.860, p = .176) was not statistically significant, therefore it was concluded that the variances were equal between the two groups. The t-test for equality of means was not significant (t(92) = -.890, p = .376) indicating that the mean of conformity manipulation check scores was not statistically different between high institutional conformity vignettes (i.e., V1 (HH) and V4 (LH)) (M = 3.78, SD = 1.21) and low institutional conformity vignettes (i.e., V2 (HL) and V3 (LL)) (M = 3.98, SD = .97). This result was not as expected, therefore, I conducted further tests to better understand how the mean differences between each vignette were.

Table 12a. Independent Samples *t*-Test Distinctiveness Manipulation (Pilot Study 2b)

	Distinctiveness Manipulation						
	High Distinctiveness	**Low Distinctiveness**	**B**	***t***	**df**	***d***	***p***
Mean	3.77	3.26	0.51	2.291	92	1.08	0.024
SD	0.91	1.24					
n	46.00	48.00					

Table 12b. Independent Samples *t*-Test Conformity Manipulation (Pilot Study 2b)

	Conformity Manipulation						
	High Conformity	**Low Conformity**	**B**	***t***	**df**	***d***	***p***
Mean	3.78	3.98	-0.20	-0.890	92	1.10	0.376
SD	1.21	0.97					
n	49.00	45.00					

In order to further evaluate the mean differences of distinctiveness manipulation between each vignette pair, I conducted a one-way analysis of variance (ANOVA). The overall analysis for distinctiveness manipulation was significant (F(3, 90) = 4.009, p = .010). Tukey

HSD post hoc test revealed that distinctiveness was statistically different between groups. Distinctiveness manipulation was significantly lower for Vignette 4 (LH) (M = 2.90, SD = 1.28) than Vignette 1 (HL) (M = 3.67, SD = 1.10) with p = .059 and Vignette 2 (M = 3.88, SD = .65) with p = .011. This result was as expected since Vignette 1 (HH) and Vignette 2 (HL) represent high level of distinctiveness while Vignette 4 (LH) represented low level of distinctiveness.

Regarding conformity manipulation check, I conducted another one-way ANOVA to test the mean differences of conformity manipulation between groups. The overall analysis was significant ($F(3, 90) = 4.839$, $p = .004$). Tukey HSD post hoc test revealed that the mean of conformity manipulation for Vignette 1 (HH) (M = 4.33, SD = .70) with $p < .001$ was statistically higher than all the other vignettes. Vignette 4 (LH) (M = 3.24, SD = 1.37) was statistically significantly lower than Vignette 2 (HL) (M = 3.95, SD = .95) with p = .021, and Vignette 3 (LL) (M = 4.00, SD = 1.00) with p = .013). However, the mean of conformity (M = 3.24, SD = 1.36) was higher than the mean of distinctiveness in Vignette 4 (LH) (M = 2.89, SD = 1.28). While conformity had still a higher mean in Vignette 3 (M = 4.00, SD = 1.00) than Vignette 4 (M = 3.24, SD = 1.36), this study had better results compared to Pilot Study 2a. Table 13a and 13b show the results from the one-way ANOVA testing the distinctiveness and conformity manipulations in Pilot Study 2b.

Table 13a. Vignette Selection: One-Way ANOVA Results for Distinctiveness (Pilot Study 2b)

		Sum of Squares	df	Mean Square	*F*	p
Distinctiveness Manipulation	Between Groups	13.581	3	4.527	4.009	0.01
	Within Groups	101.628	90	1.129		
	Total	115.209	93			

Table 13b. Vignette Selection: One-Way ANOVA Results for Conformity (Pilot Study 2b)

		Sum of Squares	df	Mean Square	*F*	*p*
Conformity Manipulation	Between Groups	15.62	3	5.207	4.839	0.004
	Within Groups	96.848	90	1.076		
	Total	112.468	93			

Pilot Study 2b: Test Results with Legitimacy Outcomes

In addition to the tests of manipulation checks, I conducted preliminary analyses prior to conducting the experiment to further validate the vignettes as well as the measurement scales to use in the experiment.

First, I conducted an independent samples *t*-test to test the mean differences of pragmatic legitimacy under the conditions of high and low competitive distinctiveness. As I adopted $p < .10$ for the pilot tests, I continued to use this value for these *t*-tests. The Levene's test was not statistically significant ($F(1, 92) = 2.445$, $p = .121$); therefore, it was concluded that the variances were equal between the two groups. The *t*-test for equality of means was significant ($t(92) = 1.976$, $p = .051$) indicating that the main effect of competitive distinctiveness was significant. The results suggested that the mean of pragmatic legitimacy was greater for high competitive distinctiveness ($M = 5.56$, $SD = .83$) than low competitive distinctiveness ($M = 5.17$, $SD = 1.08$). Cohen's *d* for competitive distinctiveness condition resulted in a value of .97 which is considered a large effect size (Cohen, 1992).

Then, I conducted another independent sample *t*-test test the mean differences of normative legitimacy under the conditions of high and low institutional conformity. The Levene's test was not statistically significant, ($F(1, 92) = .333$, $p = .566$); therefore, it was concluded that the variances were equal between the two groups. The *t*-test for equality of means was significant ($t(92) = -1.995$, $p = .049$) indicating that the mean of institutional conformity was significant. The results indicated that the mean of normative legitimacy was different for high institutional and low institutional conformity. However, the mean was smaller for high institutional conformity ($M = 5.18$, $SD = 1.03$) than low institutional conformity ($M = 5.63$, $SD = 1.14$). Cohen's *d* for competitive distinctiveness condition resulted in a value of 1.08 which is considered a large effect size (Cohen, 1992).

In sum, there was some support for the positive relationship hypothesized between competitive distinctiveness and pragmatic legitimacy. However, the results suggest a negative relationship between institutional conformity and normative legitimacy. The goal of the pilot studies was to determine whether the vignettes showed potential to differ between the conditions and to test the protocol. As the manipulation checks for distinctiveness and conformity both showed some improvement in Pilot Study 2b, these vignettes were used in the main experiment (i.e., Study 1).

Table 14a. Independent Samples *t*-Test for Distinctiveness and Pragmatic Legitimacy

	Pragmatic Legitimacy						
	High Distinctiveness	**Low Distinctiveness**	**B**	***t***	**df**	***d***	***p***
Mean	5.56	5.17	0.39	1.976	92	0.97	0.051
SD	0.83	1.08					
n	46.00	48.00					

Table 14b. Independent Samples *t*-Test for Conformity and Normative Legitimacy

	Normative Legitimacy						
	High Conformity	**Low Conformity**	**B**	***t***	**df**	***d***	***p***
Mean	5.18	5.63	-0.45	-1.995	92	1.08	0.049
SD	1.03	1.14					
n	49.00	45.00					

STUDY 1 – EXPERIMENT

Overview and Purpose

Study 1 is a quantitative experiment that I conducted online through Qualtrics. The respondents were presented with an executive summary of a new venture's business plan selected from the pilot study. Each respondent received one of four different vignettes with different combinations of distinctiveness and conformity. Then, they were asked to respond to the survey items.

Sample Selection

In Study 1, the sample consists of 328 graduate students in the business school of 44 public and private universities in the United States and Canada. The respondents were asked to behave like investors to evaluate the executive summary of a new venture business plan and make investment decisions. The reason for the sample to be selected from graduate, business school students (including master's and doctoral students) is that they will have taken at least one business course and would be able to evaluate a business by reading the executive summary of a business plan.

I applied and received Institutional Review Board (IRB) approval prior to the recruitment of the respondents. Participants were recruited by sending out emails to professors that teach business graduate courses including information about the survey, the incentive (e.g., course credit and/or random drawing), and the link to the Qualtrics survey. I also recruited participants by sending direct emails to doctoral students at various universities. The recruitment material was also shared at a Facebook group of one of the Midwestern universities. Compensation was either 1% course credit or a chance to enter a random drawing for one of two $50 electronic gift cards or both. Each professor that agreed to share the link with their students decided whether they would offer a course credit or not. Doctoral students were offered a chance to enter the random drawing as well.

I conducted a conditional power analysis to determine the sample size needed to conduct the experiment prior to launching the survey. This analysis including two independent variables with four manipulations each, two moderators, two mediators, with a total of twelve predictors, an anticipated effect size of 0.10, probability level of 0.05 revealed a sample size of 230 would produce an observed statistical power of 0.90 (Soper, 2020) which would reduce the probability of committing the Type II error (i.e., failing to reject a false null hypothesis) (Cohen, 1992). Therefore, the target sample size was 250 to 300.

Measures

Independent Variables

Competitive distinctiveness and institutional conformity: Respondents were presented with executive summaries of business plans that meet different conditions as defined through the pilot studies (e.g., HD-HC, HD-LC, LD-LC, LD-HC).

Mediators

Pragmatic legitimacy: The respondents were asked to answer items from an existing measure of legitimacy. Pragmatic legitimacy was measured using Foreman and Whetten's (2002) validated seven item scale, which originally had a Cronbach's alpha reliability score of .922. The respondents were asked to rate their agreement with the statements presented as an investor. Specifically, they were asked to compare the new venture with similar businesses, and rate how much they agreed that the new venture 1) has staff and managers with superior skills; 2) offers greater opportunity for customers and members to influence the way things are done; 3)is more innovative in developing new products and services; 4) better understands their customers' needs and concerns; 5)is more supportive when members and patrons have financial problems; 6)is better managed and operated; and 7)has a friendlier and more helpful atmosphere. The ratings were done on a 7-point Likert scale anchored by "strongly disagree" (1) and "strongly agree" (7). Cronbach's alpha reliability score was .789.

Normative legitimacy: Normative legitimacy was measured by adopting the measure developed by Bitektine, Hill, Song, and Vandenberghe (2020). Respondents were asked to rate how much they agreed with the following statement about the new venture described in the executive summary they read. The statements were: 1) I agree with the company's business practices; 2) This company contributes positively to society; and 3) This company follows the best management practices. The ratings were done on a 7-point Likert scale anchored by "strongly disagree" (1) and "strongly agree" (7). This validated measure had an original reliability score of .72. Cronbach's Alpha reliability score from the experiment was .781.

Moderator

Category Appeal: As confirmed in the pilot study phase, category appeal was measured in in two steps. First, respondents were asked to define the category the new venture is in. To do so, they were asked to select among the options (i.e., high-tech, low-tech, non-tech) that best described the category in which the new venture operates. The goal of this first question was to make the respondents think about the category of the new venture. Then, they were asked how much they agreed with the following statement: "The category (high-tech, low-tech, or non-tech) in which the new venture operates is appealing to me". And they rated the level of agreement on a scale of 1 to 7, 1 being strongly disagree and 7 being strongly agree.

Dependent Variable

Performance: Performance was measured as the intention to invest in the new venture. New venture performance has been measured in many different ways (Rutherford et al., 2018) including financial, survival, growth. New ventures need to acquire resources and funding which are necessary for their financial success by generating positive interpretations by stakeholders (Rutherford et al., 2018). As new ventures suffer from liability of newness, contrary to older organizations, they focus on resource attainment as it is necessary for their growth and survival (Zimmerman & Zeitz, 2002; Rutherford et al., 2018). Investment decisions (i.e., investment funding decisions, intention to invest) have been used as a performance measure in the literature. For instance, Elsbach and Kramer (2003) suggested that entrepreneurial passion influenced venture capitalists' (VCs) investment funding decisions. Chen et al. (2009) studied how business plan presentation influenced VCs' investment decisions and they measured their dependent variable with a single scale item "make an investment decision" and coded it as a binary variable. Pollack et al. (2012) used funding amount as a performance measure. Similar to these existing measures, I measure new venture performance as the funding acquisition operationalized by the stakeholders' intention to invest.

The respondents were asked how much they agreed with the following statement as an investor: "I would invest in this company". In order to avoid sampling bias, they were reminded to rate thinking and acting "as an investor".

Data Collection

I utilized a between-subjects design for the experiment. Accordingly, each respondent was randomly presented with only one of the four vignettes and then asked to answer the same items to measure the differential perceptions based on various vignettes with different manipulations (i.e., high and low distinctiveness and conformity).

Between-subjects designs, in which each respondent is assigned to only one treatment, allow for causal references as long as the assignment is random (Charness, Gneezy, & Kuhn, 2012). Results for this type of experimental design are drawn by comparing the behavior of participants in each treatment group with another (Charness et al., 2012). This design was appropriate because the goal of this study was to analyze how decisions were made based on different characteristics and content of the executive summary of a business plan. In addition, between-subjects design was preferred over within-subject as it would otherwise introduce order of exposure effect (i.e., order bias), which could lead to confounding results (Charness et al., 2012). Random assignment of vignettes to each respondent ensured internal validity. Through this design, demand effect that may arise in a within-subjects design where respondents manipulate their behaviors and decisions based on their understandings of the patter and expectations of the researcher were avoided (Rosenthal, 1976; White, 1977; Charness et al., 2012). Between-subjects design also allow for the examination of real-world questions about decision making in a particular situation (Charness et al., 2012).

While between-subjects design is statistically straightforward, it often comes with a tradeoff between statistical power and the number of variables one can test (Charness et al., 2012). This was mitigated through the relatively large sample size of 328 which met and even exceeded the a priori sample calculation of 230 that offered a statistical power of .90 (Soper, 2020). This design also allows for avoiding spurious results that the within-subjects design may cause as it provides more conservative tests and increase caution (Charness et al., 2012). Between-subjects design also allows for the evaluation of the cumulative responses for differences in item-specific processing and categorical clustering scores can be calculated (Burns et al., 2011).

Before starting the survey, each respondent was presented with the consent form approved by IRB on Qualtrics, and they were asked to answer whether they agreed or not. If they disagreed to give their consent, the survey was terminated. If they agreed, then they were presented with the demographics questions followed by the instruction to read an executive summary of a business plan and then answer the survey items. Then as a control, they were asked how much effort they put in the survey on a scale of 0-100. The effort question was followed by the manipulation checks utilized in Pilot Study 2. Finally, they were also given the opportunity to leave their feedback in an open-ended question box.

The items utilized in the main experiment are presented in Table 10 in the Pilot Study 2 section above. To ensure external validity, I utilized previously validated measures of pragmatic and moral legitimacy. There was no time restriction to take the survey to provide flexibility to the respondents, and the survey took, on average, 12 minutes after removing outliers that took over 3 hours. The responses were not forced in order to provide freedom to not to answer any question that the respondent did not feel comfortable with.

Confirmatory Factor Analysis

To determine whether the measures used in the experiment were appropriate and to confirm discriminant validity, I conducted a confirmatory factor analysis (CFA) using Structural Equation Modeling in Stata. The assumptions of CFA were met as the data represented normality and a sufficient sample size ($n > 200$) collected as a random sample. First, a two-factor structure was tested. This model included 7 items for pragmatic legitimacy and 3 items for normative legitimacy. The fit to the data was adequate with $\chi 2$ (35) =

283.159; RMSEA = .150 (90% CI = .134; .166); CFI = .801. Then a one-factor model was run with all the items loaded on one construct. The model fit was significantly worse than the 2-factor model ($\Delta\ \chi 2$ = 24.268; ΔCFI = .019). Therefore, there is evidence for discriminant validity of the self-reported measures of pragmatic and normative legitimacy. Table 15 shows the results of the CFA analysis.

Table 15. Confirmatory Factor Analysis

Model	**$\chi 2$**	***df***	**$\Delta\chi 2$**	**Δ *df***	**RMSEA**	**CFI**	**SRMR**
2-Factor Model	283.159*	34	—	—	0.150	0.801	0.085
1-Factor Model	307.430*	35	24.268*	1	0.154	0.782	0.085

* $p < 0.001$

Manipulation Checks

In order to ensure construct validity, as I did in the pilot study, I implemented manipulation checks with the experiment data to confirm whether the desired effects were achieved through the experimental conditions (Nivette & Akoensi, 2019). I conducted these manipulation checks using the same two items used in the pilot study. These questions were asked once the respondents answered the items of the survey, therefore it was not possible to go back to change the answers in order to avoid any potential response bias.

An independent samples *t*-test was conducted to confirm that distinctiveness manipulation check was aligned with high and low competitive distinctiveness vignettes, and the mean of manipulation check was different for high and low competitive distinctiveness vignettes and they were in the expected direction. The Levene's test was not statistically significant, therefore it was assumed that the variances were equal between the two groups ($F(3, 324) = .537$, $p = .464$). The *t*-test for equality of means was significant ($t(324) = 3.177$, $p = .002$) indicating that the main effect of distinctiveness was significant. The results suggested that the mean of distinctiveness manipulation check was greater for vignettes with high competitive distinctiveness (i.e., V1 and V2) (*M* = 3.40, *SD* = 1.09) than for vignettes with low competitive distinctiveness (i.e., V3 and V4) (*M* = 3.00, *SD* = 1.20). Cohen's *d* for competitive distinctiveness condition resulted in a value of 1.14 which is considered a large effect size (Cohen, 1992).

I conducted another independent sample *t*-test to test the relationship between conformity manipulation check between high and low institutional conformity vignettes. The Levene's test was statistically significant, therefore it was concluded that the variances were not equal between the two groups (F (3, 324) = 7.021, p = .008). The *t*-test for equality of means was significant (t(324) = 9.262, p <.001) indicating that the main effect of conformity was significant. The results suggested that the mean of conformity manipulation was statistically different between high institutional conformity (i.e., V1 and V4) (*M* = 4.20, *SD* = .95) and low institutional conformity vignettes (i.e., V2 and V3) (*M* = 3.09, *SD* = 1.20). Cohen's *d* for institutional conformity condition resulted in a value of 1.08 which is considered a large effect size (Cohen, 1992). In sum, both manipulation checks confirmed that the manipulations were appropriate. Table 16a and 16b present the results of manipulation *t*-tests.

Table 16a. Independent Samples *t*-Test Results for Distinctiveness Manipulation

	Distinctiveness Manipulation						
	High Distinctiveness	**Low Distinctiveness**	**B**	***t***	**df**	***d***	***p***
Mean	3.40	3.00	0.40	3.177	324	1.14	0.002
SD	1.09	1.20					
n	161.00	165.00					

Table 16b. Independent Samples *t*-Test Results for Conformity Manipulation

	Conformity Manipulation						
	High Conformity	Low Conformity	**B**	***t***	**df**	***d***	***p***
Mean	4.20	3.09	1.11	9.288	324	1.08	0.001
SD	0.95	1.20					
n	161.00	165.00					

Analysis

The experimental model was designed to answer the research questions of this dissertation. The first research question about the role of distinctive and conforming identities on legitimacy acquisition and subsequent performance improvement as well as the role of category appeal in these relationships was modeled to be analyzed in three main parts. I used PROCESS Macro in SPSS to test the models. The first one is the mediation model investigating whether legitimacy mediates the relationship between distinctiveness and performance as well as conformity and performance. Specifically, the potential mediating role of pragmatic legitimacy in the relationship between competitive distinctiveness and performance was tested separately to test Hypotheses 1, 2, 3 and 4 using PROCESS Model 4. And a similar test was performed to test Hypotheses 5, 6, 7, and 8 to investigate the mediating role of normative legitimacy on the relationship between institutional conformity and performance. Second, a moderated mediation model was performed including category appeal in the model using the PROCESS Model 5. Third, Hypothesis 10 was tested using the PROCESS Model 10, including all the variables except for pragmatic legitimacy. This model included double moderators (i.e., category appeal and competitive distinctiveness). PROCESS Macro is a tool used by researchers to test moderation and mediation hypotheses as well as moderated mediations and estimate direct and indirect effects (Hayes & Rockwood, 2017; Hayes, 2018).

The second research question about whether distinctiveness with low conformity can achieve positive results was answered by running the Model 10. This time, Model 10 included competitive distinctiveness as the independent variable, pragmatic legitimacy as the mediator and institutional conformity as the moderator. I interpreted the results from this model as well as the results of a one-way ANOVA comparing the means of different vignettes.

To test these models, a series of regression analyses were conducted through the PROCESS Macro in SPSS (www.processmacro.org). While these estimations could be done by conducting two OLS regression analyses in SPSS or any other statistical software packages, PROCESS is a convenient and effective way of conducting these analyses.

Prior to conducting the analyses, assumptions of the appropriateness of using a linear regression were checked. First, the assumption of linearity between the independent and dependent variables was evaluated. Scatter plots displaying the relationship between each predictor and dependent variable showed that the relationships were linear. Normality requirement was met through bootstrapping technique used in PROCESS. In addition, multicollinearity was evaluated and correlations and VIF test showed no evidence for multicollinearity as all VIF factors were among the expected values of 0-10 (Hair, Anderson, Tatham, & Black, 1995). Homoscedasticity assumption was checked using scatter plots. While no violations were detected, potential homoscedasticity was dealt with using Cribari-Neto robust standard errors.

STUDY 2 – TWITTER

Overview and Purpose

The second study is a quantitative study that empirically tested the direct effects of competitive distinctiveness (CD) and institutional conformity (IC) as well as their interaction effect—to test the moderating role of competitive distinctiveness on performance. In addition, the moderating effect of category appeal on the direct relationships were tested. To conduct this study, I collected data from Twitter. The goal of this study was to complement and compare the findings from the first quantitative study (i.e., the experiment). While the first study informs research about the effects of competitive distinctiveness and institutional conformity on new ventures' investment acquisitions by measuring the legitimacy judgements of investors, the second study focused on another stakeholder group (i.e., existing or potential customers). In this study, I investigate new ventures' communication with their stakeholders in the social media context and analyze their effects on performance—specifically social media performance. As legitimacy judgements cannot be directly measured in the social media context of Twitter, legitimacy variables are not included in the model. The goal of this study is to test the effects of identity claims communicated on social media on performance as well as the moderating role of category appeal in these relationships. I also test the moderating effect of competitive distinctiveness on institutional conformity-performance relationship.

Sample Selection

Inc5000 2019 list of the fastest growing companies in the U.S. (www.inc.com/inc5000 /2019) was used to select the sample of new ventures to be included in this study. The youngest companies (founded in 2014 and 2015) were selected from this list. Therefore, the companies in the sample were 4 to 5 years old by the time the list was published and 6 to 7 years old by the time the data was collected in January 2021. This sample was appropriate as companies less than eight years old are considered new ventures (McDougall, Covin, Robinson, & Herron, 1994; Rutherford, Tocher, Pollack, & Coombes, 2016). In addition, these high growth new ventures constituted an appropriate sample to conduct this empirical study on new ventures as they shared a common ground by belonging to the same list of companies in the United States. Moreover, the sample was comprised of companies operating in various industries which allowed for variance in the category appeal measure.

The list had a total of 628 companies that were founded in 2014 and 2015. 463 were founded in 2014 and 165 were founded in 2015. The next step was to find their Twitter accounts. Some companies' Twitter accounts were listed in the Inc5000 list, and some were not. Each account was double checked on Twitter to confirm that the account belonged to the right company. Some of the companies did not have active Twitter accounts or the accounts were not accessible. Therefore, the remaining sample had 359 companies with Twitter accounts.

Twitter is an ideal platform for new ventures to interact and communicate with their stakeholders. Users can retweet a new venture's tweet which is a very powerful mechanism of information sharing (Stieglitz & Dang-Xuan, 2013). In addition, users may like and/or comment on a tweet that a new venture shared. These features provide the opportunity for the stakeholders to signal whether they agree and support a new venture's message. In this study, the number of likes and retweets a tweet receives was used as a proxy to measure the new venture's social media performance.

A conditional power calculation was conducted to determine the required sample size for analysis before starting the data collection. This analysis showed that for an analysis including 12 predictor variables (two independent variables, two moderators, and eight control variables), with an expected effect size of 0.20, and the ability to achieve a probability level of 0.05 and an observed statistical power of 0.90 (Soper, 2020), the required sample size was 121. The power level of 0.90 reduces the probability of committing Type II error (i.e., failing to reject a false null hypothesis) (Cohen, 1992). It also is helpful to determine the appropriate sample size to increase the probability of finding an effect (Cohen, 1992).

Data was collected using NodeXL Pro (Hansen, Shneiderman, & Smith, 2011) and collected the maximum amount of data that the software and Twitter Application Programming Interface (API) allowed. NodeXL allows collecting data up to 3000 tweets per account. Therefore, after collecting the data, the companies that had their first-year tweets were selected to conduct the analyses. Accordingly, there were 105 companies that were founded in 2014 and had their first-year tweets (posted in 2014) and there were 41 companies that were founded in 2015 and their first-year tweets (posted in 2015) in the dataset. This made the final dataset for the first year of funding sample size of 146 firms and 16,582 firm-tweets. The sample size was adequate as the a priori conditional power calculation suggested a sample size of 121. I collected tweets, date and time of each tweet, the number of likes (i.e., favorites), the number of retweets, the number of followers as well as followed, and the date that the company joined Twitter.

Measures

Independent Variables

Competitive Distinctiveness (CD): Each tweet in the dataset was content analyzed using a dictionary developed by Phillips, Rutherford, and Moore (2020). The dictionary was developed with the intent to measure the degree to which narratives communicated pragmatic legitimacy. For the purposes of this study, this dictionary was appropriate because it can measure the competitive language within a firm's communication such as benefits offered, product quality, comparisons with competitors, etc. Therefore, competitive distinctiveness (CD) was measured by this dictionary. The dictionary was uploaded to *Linguistic Inquiry and Word Count 2015* (LIWC 2015) program (Pennebaker, Booth, Boyd, & Francis, 2015) and each tweet was analyzed using this dictionary. The LIWC results obtained were in percentages. Therefore, the measure was transformed into a count variable by dividing the variable by 100 and multiplying it by the word count in each tweet.

The dictionary was developed using both inductive and deductive methods following Short, Broberg, Cogliser, and Brigham (2010). First, a list of words was generated deductively based on Suchman's (1995) definition of legitimacy and a comprehensive literature review. Then synonyms were added to the list using *The Synonym Finder* (Rodale, 1978) and thesaurus as well as conjugations (Short et al., 2010; McKenny, Short, & Payne, 2013). The inductive list was generated using CAT Scanner tool developed by McKenny, Short, & Newman (2012). This list included words that appeared at least three times in the sample used by Phillips et al. (2020). The two lists were then combined and rated by three judges to ensure content validity.

In order to ensure validity, specific factor error checks were done following McKenny, Aguinis, Short, and Anglin (2018) and adjustments were made to the dictionaries by Phillips et al. (2020). To do so, the authors randomly selected 350 tweets from the sample and coded them manually based on each dictionary. Each tweet was coded on a scale of 0-5, 0 being no legitimizing language, and 5 being high level of legitimizing language. The software and human coding results were then compared through a parallel forms reliability check. As high variance in pragmatic legitimacy was detected, the authors revaluated each dictionary following the specific factor error procedure (McKenny et al., 2018). The authors examined the correlation matrix of each result from the software and human coding and observed that the correlations improved after the specific factor error analysis was conducted and the updates were implemented to each dictionary. Accordingly, some words were eliminated, and some new ones were added to each dictionary. Then three judges rated the dictionaries again and came to an agreement. Interrater reliability was .92 for the competitive language dictionary. The final correlation between the manual and software coding for pragmatic legitimacy was .754 and .666 for moral (i.e., normative) legitimacy, providing support for content validity. The results of the Specific Factor Error tests (Table D1) are presented in Appendix D.

Moreover, discriminant validity of the two dictionaries was assessed to verify that the constructs are distinct from the other constructs in the literature (Campbell & Fiske, 1959). The authors examined the correlation matrix of each result from the software and human coding and observed that the correlations improved after the specific factor error analysis was conducted and the updates were implemented to each dictionary. The correlation between pragmatic and moral (i.e., normative) legitimacy was .07 showing evidence that the two constructs were distinct, providing support for discriminant validity. The correlation matrix is presented in Table D2 in Appendix D.

In addition, Phillips et al. (2020) evaluated the external validity of the dictionaries by analyzing another sample using the dictionaries which suggested that the legitimacy language was consistent across two samples. Specifically, they collected tweets of some random restaurants using the dictionaries and conducted one sample *t*-tests to assess the consistency of the legitimizing language across the two samples. The results supported that the effects of the variables in question were positive and significant suggesting that the legitimizing language was consistent across different sample, and thus providing evidence for external validity. In addition, a one-way ANOVA was conducted to compare the means of the variables across the two samples. The results suggested that there was a similar pattern for the relationships. The results are presented in Tables D3 and D4 in Appendix D.

Institutional Conformity (IC): Similar to distinctiveness measure, institutional conformity (IC) in each tweet was measured by using a dictionary developed by Phillips, Rutherford, and Moore (2020). The dictionary is intended to measure the conforming language (i.e., moral legitimacy in the original working paper) within a firm's communication such as following norms, rules, etc. Similar to the distinctiveness measure, this measure was transformed into a count variable using the same formula for the conformity variable. Interrater reliability was .90 for the conforming language dictionary. This dictionary was also validated using the same methodologies described in the competitive language dictionary measuring the competitive distinctiveness (CD) variable.

A sample of word lists is presented in Table 17 below. The final word list for each dictionary is provided in Table D5 in Appendix D.

Table 17. Sample Word Lists

Dictionary	Sample Word List
Competitive Language	accomplish, achieve, assist, benefit, best, better, boost, capable, compensate, distinct, earn, efficient, faster, facilitate, functional, grow, increase, know-how, offer, premium, quality, support, valuable.
Conforming Language	abide, adapt, advocate, agree, appropriate, approve, collective, compliance, confirm, conform, cultural values, cooperation, humanity, justice, morality, norm, obey, procedure, regulation, social, society, virtue.

Moderator

Category Appeal (CA): Category appeal is defined as the extent to which the audience finds a category membership (e.g., luxury cars) appealing (Alexy & George, 2013). This measure was collected from the IBIS World Database. Each company's specialized industry report was found in this database allowing for a deeper analysis than the overall industry itself. Category appeal (CA) was measured by the revenue information of that specific industry in billions. Two coders (an entrepreneurship master's student and I) coded the specific category for each company individually. We each checked the company website and selected the specific category they operated in accordingly. For instance, the industry of a company producing premium pet food was defined as "consumer products and services" in the Inc5000 list. However, this is a very broad industry description. To define the category, a search on IBIS World revealed that there are several reports related to pet food including pet food production in the U.S., online pet food and pet supply sales in the U.S., etc. A closer examination of this company by visiting its website allowed for a more accurate selection of its category which was determined as "premium pet food production in the U.S.". This report was then utilized to code the industry revenue information in the dataset. Once the two coders selected the categories and coded the industry revenue information, the results were compared. The initial reliability was .65. While this was a relatively low level of interrater agreement that can be accepted (e.g., Revelle & Condon, 2019; Pennebaker, Boyd, Jordan, & Blackburn, 2015), it represented the individual decisions prior to any discussion. Following this initial agreement, two coders met and discussed each category, and then they agreed on the categories resulting in 100% agreement.

Dependent Variable

*Performance**:*** Performance was measured as the sum of total number of likes and retweets that a certain tweet received and called “engagement”. On Twitter, companies aim at reaching out to more users and getting them to engage with their tweets in the form of likes and retweets. Therefore, this measure is appropriate as both likes and retweets are signals of Twitter users’ (i.e., stakeholders) agreements with what the company had to say, and thus generating success for the tweets. This performance measure reflects social media performance of the new venture. Number of likes and the number of retweets on Twitter have been used to measure the level of endorsement and information diffusion (e.g., Araujo & Kollat, 2018).

Control Variables

Several control variables were used to account for various factors that might have an effect on performance. While there are only two founding years and the companies in the dataset are close in age, I controlled for the founding year to account for the age of the companies. *Foundeddummy* was created as a dummy variable to separate companies founded in 2014 from the ones founded in 2015 (2014 = 1 and 2015 = 0). I also controlled for the time a company has been on Twitter to account for the existing communication and the followers acquired. *Days_since_join* was measured as the number of days between the time of the company joining Twitter and the time of the tweet. To account for the financial performance which may have an indirect effect on how much money, effort, and human capital a company spends on social media presence, I controlled for the number of employees, number of years the company appeared in Inc5000 list of the fastest growing companies, and their rank on the list. *Nemp* was measured as the number of employees as reported in the Inc 5000 2019 list. *Incyears* was measured as the number of years the company was listed as one of the Inc5000 companies. This measure was acquired from Inc5000 2019 list. *Rankr* was measured as the rank of the company within the Inc5000 2019 list. The reverse rank was used calculated as (5001-rank) in the analysis. I also controlled for the number of followers and the number of people the company followed to account for the effect they would have on the communication and feedback effect. *Followers* was measured as the total number of followers by the time of the data collection. This measure was log transformed (*ln_followers*). *Followed* was measured as the total number of Twitter users the company followed by the time of the data collection. This measure was log transformed (*ln_followed*).

Analysis

Since the dependent variable is a count variable that violates the OLS assumption of normally distributed error terms (Gardner, Multvey, & Shaw, 1995) and the nature of data—repeated measures with two levels of data (between company and within company)—violates the independence of error terms assumption (Bliese, 2002), I ran a generalized linear multilevel model (GLMM). To account for the variance of the dependent variable being greater than the mean, a negative binomial multilevel model was performed. This allowed for the relaxation of the Poisson assumption of the mean being equal to the variance (Gardner et al., 1995). A random effect model for clustered observations in the firm-level (Zachary, Moore, & Ballinger, 2019) was performed in StataIC. The main analysis included 4 Models.

First an intercept only model was run, followed by a model with only the control variables (Model 1), and then the direct effects model (Model 2) including competitive distinctiveness (CD) and institutional conformity (IC) was conducted. Finally, two moderator models, one including category appeal (CA) as a moderator to test the hypotheses 9a and 9b (Model 3), and one including competitive distinctiveness (CD) to test its moderating effect on the relation between institutional conformity (IC) and performance (Model 4) were conducted. Each model included an exposure variable selected as "datetime_seq_use". This variable was constructed as the sequential order of the tweets for each company in the sample. For the main analysis, the exposure variable represents the order of tweets published in 2014 by the companies founded in 2014 and the tweets published in 2015 by the companies founded in 2015. The reason to include an exposure variable was to account for the sequential effect of tweets on the users' reactions and engagement with each tweet.

Model 2 included the control variables and the independent variables (CD and IC) to test the main effect of competitive distinctiveness (CD) on performance as well as the main effect of institutional conformity (IC) on performance. Competitive distinctiveness (CD) and institutional conformity (IC) were calculated by transforming the percentages into count variables by multiplying CD and IC variables by the number of words in each corresponding tweet and dividing by 100.

In this study, there are two moderator hypotheses, one is the moderating role of category appeal (CA), the other one is the moderating role of competitive distinctiveness (CD). To test the first moderation (i.e., category appeal as moderator), Model 3 included control variables, independent variables (i.e., CD, IC, CA) and the interaction variables of CD*CA and IC*CA. To test the moderating effect of distinctiveness on the relationship between conformity and performance, Model 4 included control variables, independent variables, and the interaction variable of CD multiplied by IC.

CHAPTER V

FINDINGS

OVERVIEW

This chapter presents the quantitative findings from Study 1 and Study 2. The ultimate goal was to test the relationships and answer the two research questions:

RQ1*: How do new ventures gain legitimacy and improve their performance through distinctive, yet conforming identity claims communicated by storytelling and how does category appeal influence this relationship?*

RQ2: *Is conformity always necessary for legitimacy acquisition? Or can distinctiveness with low conformity still achieve positive results?*

STUDY 1: EXPERIMENT FINDINGS

Sample Description

Study 1 was designed as an experiment and targeted business school graduate students. As the survey link was distributed to students taking targeted courses, a screening question was not utilized. However, in order to confirm the respondents' degree and avoid having potential undergraduate students or non-business college students in the dataset, I asked about the current level of studies (undergraduate, master's, doctoral) as well as the degree (e.g., MBA, entrepreneurship, management, etc.). In addition, I asked to specify the degree if “other” was selected. The initial sample size was 396. 28 respondents did not have a business degree from the business school, however, their studies were related to business (e.g., Agriculture Economics, and/or they took business courses even though their degree was in other fields (e.g., MS in Computer Science, MS in Engineering, etc.). After undergraduate students were removed from the dataset, the sample size was reduced to 328 of which 184 were master’s students, and 144 were doctoral students. This was above the predetermined target sample size based on the conditional power analysis.

Average age was 31.85, 60.4% were White, 24.1 were Asian, 4.6% were Hispanic/Latino, 3.7% were African American, 3.4% were more than one ethnicity, 2.4% were American Indian or Alaska Native, and 1,5% preferred not to answer. 61.9% were male, 36.9% were female, .3% were third gender and .9% did not disclose their gender. 56.1% were master’s students, and 43.9% were doctoral students. Of the master’s students, 39.6 % were MBA students, 26.8% were Management students, 25% in various business disciplines (i.e., entrepreneurship, marketing, finance, economics, accounting, hospitality and tourism management, management science and information systems). 8.5 % were pursuing degrees that represented a variety of disciplines (e.g., Agricultural communications (.3%), agriculture economics (.3%), business analytics and data science (.6%), business strategy (.3%), Chinese language and literature (.3%), clinical psychology (.3%), global studies (.3%), engineering (.3%), international agriculture (.3%), etc.). Sample demographics is presented in Table 18 and correlations are presented in Table 19.

Table 18. Study 1 Experiment Sample Descriptive Statistics

		Mean (SD)	
D1	Age	31.85	(7.8)
	Categories	*n*	(%)
D3	Gender		
	Male	203.00	(61.9)
	Female	121.00	(36.9)
	Non-binary / third gender	1.00	(.3)
	Prefer not to say	3.00	(.9)
D2	Ethnicity		
	American Indian/Alaska Native	8 .00	(2.4)
	Asian	79 .00	(24.1)
	Hispanic/Latino	15 .00	(4.6)
	Black/African American	12 .00	(3.7)
	White	198	(60.4)
	More than one of the above	11 .00	(3.4)
	Prefer not to answer	5.00	(1.5)
D4	Level of study		
	Master's	184.00	(56.1)
	Doctoral	144.00	(43.9)
D5	Degree		
	MBA	130.00	(39.6)
	Entrepreneurship	23.00	(7.0)
	Management	88.00	(26.8)
	Marketing	9.00	(2.7)
	Finance	15.00	(4.6)
	Economics	3.00	(.9)
	Accounting	15.00	(4.6)
	Hospitality and Tourism Management	1.00	(.3)
	Management Science and Information Systems	16.00	(4.6)
	Other	28.00	(8.5)
D6	Experience with business plans		
	Yes	158.00	(48.2)
	No	170.00	(51.8)

Table 19. Study 1 Correlations

	Mean	Std. Dev.	1	2	3	4	5	6
1. Pragmatic Legitimacy	4.55	0.77						
2. Normative Legitimacy	5.06	0.90	0.68**					
3. Category Appeal	4.98	1.36	0.38**	0.33**				
4. Performance	4.36	1.44	0.60**	0.57**	0.41**			
5. Competitive Distinctiveness	0.49	0.50	0.19**	0.09	-0.02	0.09		
6. Institutional Conformity	0.50	0.50	0.13*	0.31**	0.02	0.09	0.00	
		Min	1.00	1.00	1.00	1.00	0.00	0.00
		Max	7.00	7.00	7.00	7.00	1.00	1.00

N = 328, $^{\dagger}p < 0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

STUDY 1 FINDINGS: RESEARCH QUESTION 1

Mediation Model: Competitive Distinctiveness and Pragmatic Legitimacy

Hypothesis 1: *Competitive distinctiveness (CD) will have a positive relationship with pragmatic legitimacy.*

Hypothesis 2: *Competitive distinctiveness (CD) will have a positive relationship with new venture performance.*

Hypothesis 3: *Pragmatic legitimacy will have a positive relationship with new venture performance.*

Hypothesis 4: *Pragmatic legitimacy will mediate the relationship between competitive distinctiveness and new venture performance.*

I used the Model 4 in PROCESS Macro in SPSS to test the mediation model including competitive distinctiveness, pragmatic legitimacy, and performance. The overall model for pragmatic legitimacy as the dependent variable was statistically significant ($F(1, 326) = 11.93$, $p < .001$, $R^2 = .04$) and the model for performance as the dependent variable was also statistically significant ($F(2, 325) = 100.99$, $p < .001$, $R^2 = .36$). Hypothesis 1 predicted that competitive distinctiveness will have a positive relationship with pragmatic legitimacy. The results from these models indicate that competitive distinctiveness was a statistically significant predictor of pragmatic legitimacy (B = .29, SE = .08, $p < .001$). Therefore, Hypothesis 1 was supported. Hypothesis 2 predicted that competitive distinctiveness will have a positive relationship with performance. The relationship between competitive distinctiveness and performance was not statistically significant. Therefore, Hypothesis 2 was not supported. Hypothesis 3 predicted that pragmatic legitimacy will have a positive relationship with performance. The results indicate that pragmatic legitimacy was a statistically significant predictor of performance (B = 1.13, SE = .08, $p < .001$). Therefore, Hypothesis 3 was supported. Hypothesis 4 predicted that pragmatic legitimacy will mediate the relationship between competitive distinctiveness and performance. The indirect effect was tested using a percentile bootstrap estimation approach with 5000 samples. These results indicate that the indirect coefficient was statistically significant as the confidence intervals did not include zero (B = .33, SE = .09, 95% CI [.14, .51]). Therefore, Hypothesis 4 was supported. These results support the mediation hypothesis for pragmatic legitimacy. Approximately 36% of the variance in performance was accounted for by the predictors ($R^2 = .36$). In sum, competitive distinctiveness was associated with increased performance (approximately .33 points higher when mediated by pragmatic legitimacy). While the direct effect of competitive distinctiveness on performance was not statistically significant, the results provide evidence for full mediation of pragmatic legitimacy for the effect of competitive distinctiveness on performance. Table 20 represents the results of the Model 4.

Table 20. Mediation Analysis Results for Competitive Distinctiveness

Mediation Analysis for Competitive Distinctiveness - PROCESS Model 4				
	Mediator Model		**Dependent Variable Model**	
	Pragmatic Legitimacy		**Performance**	
Variables	**B**	**SE**	**B**	**SE**
Constant	4.41***	0.06	-0.74	0.38
Competitive Distinctiveness	0.29***	0.08	-0.06	0.13
Pragmatic Legitimacy			1.13***	0.08
F	11.93		100.99	
R^2	0.04		0.36	
	Indirect Effect Point Estimate		**95 % CI**	
	Effect	**SE**	**Lower**	**Upper**
Competitive Distinctiveness → Pragmatic Legitimacy → Performance	0.33*	0.09	0.14	0.51

Bootstrapping results were based on 5,000 bootstrapped samples. $N = 328$, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$

Mediation Model: Institutional Conformity and Normative Legitimacy

Hypothesis 5: *Institutional conformity (IC) will have a positive relationship with normative legitimacy.*

Hypothesis 6: *Institutional conformity (IC) will have a positive relationship with new venture performance.*

Hypothesis 7: *Normative legitimacy will have a positive relationship with new venture performance.*

Hypothesis 8: *Normative legitimacy will mediate the relationship between institutional conformity and new venture performance.*

I conducted the same procedure using PROCESS in SPSS to test the mediation model between institutional conformity, normative legitimacy, and performance. The overall model for normative legitimacy as the dependent variable was statistically significant ($F(1, 326) = 34.97$, $p < .001$, $R^2 = .09$) and the model for performance as the dependent variable was also statistically significant ($F(2, 325) = 74.08$, $p < .001$, $R^2 = .33$). Hypothesis 5 predicted that institutional conformity will have a positive relationship with normative legitimacy. The results from these models indicate that institutional conformity was a statistically significant predictor of normative legitimacy (B = .55, SE = .09, p <.001) supporting Hypothesis 5. Hypothesis 6 predicted that institutional conformity will have a positive relationship with performance. Hypothesis 6 was rejected as institutional conformity and performance relationship was not statistically significant. Hypothesis 7 predicted that normative legitimacy will have a positive relationship with performance. The results indicate that normative legitimacy was a statistically significant predictor of performance (B = .95, SE = .08, p = <.001). Therefore, Hypothesis 7 was supported. Hypothesis 8 predicted that normative legitimacy will mediate the relationship between institutional conformity and performance. The indirect effect was tested using a percentile bootstrap estimation approach with 5000 samples. These results indicated that the indirect coefficient was statistically significant as the confidence intervals did not include zero (B = .52, SE = .10, 95% CI [.34, .72]). Therefore, Hypothesis 8 was supported. These results support the mediation hypothesis. Approximately 33% of the variance in performance was accounted for by the predictors ($R^2 = .33$). In sum, institutional conformity was associated with increased performance (approximately .52 points higher when mediated by normative legitimacy). These results support the hypothesis 5, 7, and 8, but do not support hypothesis 6. These results suggest that normative legitimacy fully mediates the effect of institutional conformity on performance. Table 21 represents the results of the Model 4.

Table 21. Mediation Analysis Results for Institutional Conformity

Mediation Analysis for Competitive Distinctiveness - PROCESS Model 4				
	Mediator Model		**Dependent Variable Model**	
	Normative Legitimacy		**Performance**	
Variables	**B**	**SE**	**B**	**SE**
Constant	4.78***	0.07	-0.33	0.40
Institutional Conformity	0.55***	0.09	-0.25	0.13
Normative Legitimacy			0.95***	0.08
F	33.97		74.06	
R^2	0.09		0.33	
	Indirect Effect Point Estimate		**95 % CI**	
	Effect	**SE**	**Lower**	**Upper**
Institutional Conformity → Normative Legitimacy → Performance	0.52*	0.10	0.34	0.72

Bootstrapping results were based on 5,000 bootstrapped samples. $N = 328$, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$

Moderation Model: Category Appeal and Competitive Distinctiveness

Hypothesis 9a: *Category appeal will negatively moderate the relationship between competitive distinctiveness (CD) and new venture performance such that competitive* *distinctiveness (CD) will have a weaker relationship with performance when category appeal is higher, but it will have a stronger relationship with performance when category appeal is lower.*

I used PROCESS Model 5 to test the moderating effect of category appeal by adding the category appeal variable into the Model 4 previously performed. In this model, there is no assumption of moderated mediation, however, the moderator simply conditions the direct effect of the independent variable on the dependent variable.

The overall model for pragmatic legitimacy as the dependent variable was statistically significant ($F(1, 326) = 11.93$, $p < .001$, $R^2 = .04$) and the model for performance as the dependent variable was statistically significant ($F(4, 323) = 63.19$, $p < .001$, $R^2 = .40$). The results from these models indicate that the interaction term of *competitive distinctiveness * category appeal* was not statistically significant. Therefore, hypothesis 9a stating the negative moderating role of category appeal on competitive distinctiveness-performance relationship was rejected. Table 22 represents the results of the Model 5.

Table 22. Moderated Mediation Analysis with Competitive Distinctiveness

Moderated Mediation Analysis for Competitive Distinctiveness - PROCESS Model 5					
		Mediator Model		Dependent Variable Model	
		Pragmatic Legitimacy		Performance	
Variables		**B**	**SE**	**B**	**SE**
Constant		4.41***	0.06	-0.03	0.44
Competitive Distinctiveness		0.29***	0.08	-0.01	0.13
Pragmatic Legitimacy				0.96***	0.10
Category Appeal				0.17*	0.08
Competitive Distinctiveness × Category Appeal				0.10	0.10
F		11.93		63.19	
R^2		0.04		0.40	
		Indirect Effect Point Estimate		**95 % CI**	
		Effect	**SE**	**Lower**	**Upper**
Competitive Distinctiveness → Pragmatic Legitimacy → Performance		0.28*	0.08	0.12	0.44
		Conditional Direct Effects		**95 % CI**	
	Category Appeal	**Effect**	**SE**	**Lower**	**Upper**
Competitive Distinctiveness → Performance	-1 SD	-0.14	0.21	-0.55	0.27
	Mean	0.00	0.13	-0.26	0.25
	+1 SD	0.13	0.17	-0.21	0.47

Bootstrapping results were based on 5,000 bootstrapped samples. $N = 328$, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$

Moderation Model: Category Appeal and Institutional Conformity

Hypothesis 9b: *Category appeal will positively moderate the relationship between institutional conformity (IC) and new venture performance such that institutional conformity (IC) will have a stronger relationship with performance when category appeal is higher, but it will have a weaker relationship with performance when category appeal is lower.*

I conducted the same model to test to test the moderating role of category appeal within the mediated model including conformity, normative legitimacy, and performance. The overall model for normative legitimacy as the dependent variable was statistically significant ($F(1, 326) = 33.97$, $p < .001$, $R^2 = .09$) and the model for performance as the dependent variable was statistically significant ($F(4, 323) = 61.34$, $p < .001$, $R^2 = .39$). Approximately

39% of the variance in performance was accounted for by the predictors (R^2 = .39). This model also showed support for the mediating effect of normative legitimacy as the indirect coefficient was statistically significant as the confidence intervals did not include zero (B = .45, SE = .09, 95% CI [.29, .63]). In addition, the results from these models indicate that the interaction term of *institutional * category appeal* was statistically significant and positive (B = .23, SE = .10, 95% CI [.03, .43], *p* = .026). Therefore, hypothesis 9b stating the positive moderating role of category appeal on institutional conformity-performance relationship was supported. The results suggest that category appeal strengthened the relationship between institutional conformity and performance. Looking at the negative conditional direct effect of institutional conformity on performance, the results indicate that the effect of institutional conformity was negative and significant only at lower levels of category appeal (B = -.51, SE = .20, 95% CI [-.91, -.10], *p* = .014). Table 23 presents the results from the moderated mediation analysis and Figure 4 represents the interaction plot.

Table 23. Moderated Mediation Analysis with Institutional Conformity

Moderated Mediation Analysis for Institutional Conformity- PROCESS Model 5					
		Mediator Model		Dependent Variable Model	
		Normative Legitimacy		Performance	
Variables		**B**	**SE**	**B**	**SE**
Constant		4.78***	0.07	0.34	0.44
Institutional Conformity		0.55***	0.09	-0.19	0.13
Normative Legitimacy				0.81***	0.09
Category Appeal				0.15*	0.07
Institutional Conformity × Category Appeal				0.23*	0.10
F		33.97		61.34	
R^2		0.09		0.39	
		Indirect Effect Point Estimate		**95 % CI**	
		Effect	**SE**	**Lower**	**Upper**
Institutional Conformity → Normative Legitimacy → Performance		0.45*	0.09	0.29	0.63
		Conditional Direct Effects		**95 % CI**	
	Category Appeal	**Effect**	**SE**	**Lower**	**Upper**
Institutional Conformity → Performance	-1 SD	-0.51*	-0.51	-0.91	-0.10
	Mean	-0.19	-0.19	-0.45	0.06
	+1 SD	0.12	0.12	-0.22	0.46

Bootstrapping results were based on 5,000 bootstrapped samples. $N = 328$, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$

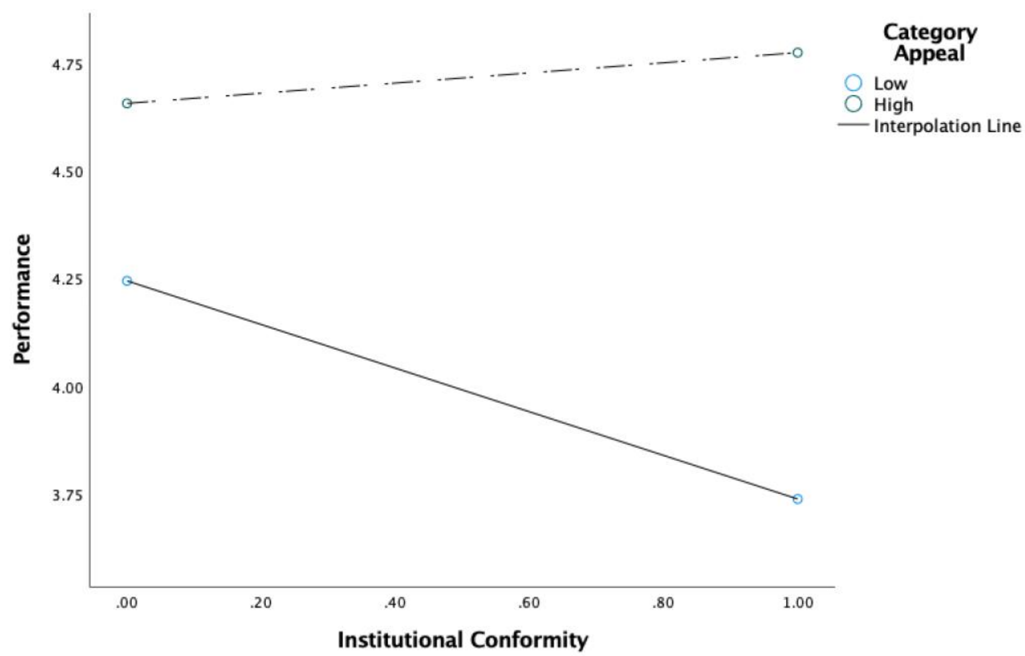

Figure 4. Category Appeal and Institutional Conformity Interaction

Moderation Model: Competitive Distinctiveness and Institutional Conformity

Hypothesis 10: *Competitive distinctiveness (CD) will positively moderate the relationship between institutional conformity (IC) and new venture performance.*

I conducted the PROCESS Model 10 to test the moderating role of competitive distinctiveness on the relationship between institutional conformity and performance. This model included the full mediation model for institutional conformity and performance relationship, category appeal as moderator, and competitive distinctiveness as a second moderator on the effect of institutional conformity on performance. The overall model for normative legitimacy as the dependent variable was statistically significant ($F(5, 322) = 15.97$, $p < .001$, $R^2 = .23$) and the model for performance as the dependent variable was also statistically significant ($F(6, 321) = 41.93$, $p < .001$, $R^2 = .39$). Approximately 39% of the variance in performance was accounted for by the predictors ($R^2 = .39$). Hypothesis 10 predicted that competitive distinctiveness will positively moderate the relationship between institutional conformity and performance. The results from the model for performance as the dependent variable indicate that the interaction between institutional conformity and category appeal was significant and positive (B = .23, SE = .10, $p = .025$), however, the interaction of institutional conformity and competitive distinctiveness was not significant ($p > .05$). Therefore, Hypothesis 10 was not supported. Table 24 represents the results for Model 10.

TABLE 24. Model 10 – Distinctiveness as Moderator

Competitive Distinctiveness as a Moderator- PROCESS Model 10						
			Mediator Model		Dependent Variable Model	
			Normative Legitimacy		Performance	
Variables			**B**	**SE**	**B**	**SE**
Constant			4.59***	0.0918	0.32	0.44
Institutional Conformity			0.77***	0.13	-0.19	0.19
Normative Legitimacy					0.80***	0.09
Category Appeal			0.22***	0.05	0.15*	0.07
Competitive Distinctiveness			0.41**	0.13	0.15	0.18
Institutional Conformity × Category Appeal			0.00	0.07	0.23*	0.10
Institutional Conformity × Competitive Distinctiveness			-0.47**	0.18	0.00	0.25
F			15.97		41.93	
R^2			0.23		0.39	
	Category Appeal	**Competitive Distinctiveness**	**Indirect Effect Point Estimate**		**95 % CI**	
			Effect	**SE**	**Lower**	**Upper**
Institutional Conformity → Normative Legitimacy → Performance	-1 SD	Low	0.62*	0.14	0.36	0.91
Institutional Conformity → Normative Legitimacy → Performance	-1 SD	High	0.24	0.13	0.00	0.51
Institutional Conformity → Normative Legitimacy → Performance	Mean	Low	0.62*	0.11	0.41	0.85
Institutional Conformity → Normative Legitimacy → Performance	Mean	High	0.24*	0.11	0.04	0.45
Institutional Conformity → Normative Legitimacy → Performance	+1 SD	Low	0.61*	0.13	0.37	0.89
Institutional Conformity → Normative Legitimacy → Performance	+1 SD	High	0.23	0.13	-0.02	0.50
	Category Appeal	**Competitive Distinctiveness**	**Conditional Direct Effects**		**95 % CI**	
			Effect	**SE**	**Lower**	**Upper**
Institutional Conformity → Performance	-1 SD	Low	-0.50*	0.24	-0.98	-0.02
Institutional Conformity → Performance	-1 SD	High	-0.50*	0.24	-0.96	-0.03
Institutional Conformity → Performance	Mean	Low	-0.19	0.19	-0.57	0.19
Institutional Conformity → Performance	Mean	High	-0.19	0.17	-0.51	0.14
Institutional Conformity → Performance	+1 SD	Low	0.12	0.23	-0.33	0.57
Institutional Conformity → Performance	+1 SD	High	0.12	0.19	-0.26	0.51

Bootstrapping results were based on 5,000 bootstrapped samples. $N = 328$, $*p < 0.05$, $**p < 0.01$, $***p < 0.001$

In addition to utilizing competitive distinctiveness as a moderator in the institutional conformity-normative legitimacy model, I conducted another model (Model 10) to test the moderating role of institutional conformity in the competitive distinctiveness-pragmatic legitimacy model. The results from this model were utilized to answer the second research question. I repeated the same analysis I did previously to test the moderating effects of competitive distinctiveness, but this time I included institutional conformity as a moderator in order to detect the interaction effect between institutional conformity and competitive distinctiveness. This model allowed for testing the interaction of competitive distinctiveness and institutional conformity when pragmatic legitimacy was included in the model rather than normative legitimacy. The overall model for performance as the dependent variable was statistically significant ($F(6, 321) = 36.17$, $p < .001$, $R^2 = .40$). The results from these models indicate that the interaction between institutional conformity and competitive distinctiveness was again not statistically significant ($p > .05$). This post-hoc analysis provided insights for the research question 2 as discussed below. Table 25 represents the results from Model 10 below.

Table 25. Model 10 – Conformity as Moderator

Institutional Conformity as a Moderator- PROCESS Model 10				
	Mediator Model		Dependent Variable Model	
	Pragmatic Legitimacy		Performance	
Variables	**B**	**SE**	**B**	**SE**
Constant	4.27***	0.08	-0.07	0.44
Competitive Distinctiveness	0.39***	0.11	0.12	0.18
Pragmatic Legitimacy			0.95***	0.10
Category Appeal	0.17***	0.06	0.17*	0.08
Institutional Conformity	0.26*	0.11	0.18	0.18
Competitive Distinctiveness × Category Appeal	0.09	0.07	0.10	0.10
Competitive Distinctiveness × Institutional Conformity	-0.17	0.15	-0.24	0.25
F	12.93		43.70	
R^2	0.21		0.40	

	Category Appeal	Institutional Conformity	Indirect Effect Point Estimate: Effect	SE	95 % CI: Lower	Upper
Competitive Distinctiveness → Pragmatic Legitimacy → Performance	-1 SD	Low	0.26	0.14	-0.03	0.54
Competitive Distinctiveness → Pragmatic Legitimacy → Performance	-1 SD	High	0.10	0.14	-0.17	0.37
Competitive Distinctiveness → Pragmatic Legitimacy → Performance	Mean	Low	0.37*	0.11	0.16	0.58
Competitive Distinctiveness → Pragmatic Legitimacy → Performance	Mean	High	0.21*	0.10	0.01	0.41
Competitive Distinctiveness → Pragmatic Legitimacy → Performance	+1 SD	Low	0.48*	0.14	0.22	0.76
Competitive Distinctiveness → Pragmatic Legitimacy → Performance	+1 SD	High	0.32*	0.14	0.07	0.60

	Category Appeal	Institutional Conformity	Conditional Direct Effects: Effect	SE	95 % CI: Lower	Upper
Competitive Distinctiveness (CD) → Performance	-1 SD	Low	-0.02	0.24	-0.50	0.46
Competitive Distinctiveness (CD) → Performance	-1 SD	High	-0.29	0.24	-0.73	0.22
Competitive Distinctiveness (CD) → Performance	Mean	Low	0.12	0.18	-0.24	0.48
Competitive Distinctiveness (CD) → Performance	Mean	High	-0.12	0.17	-0.46	0.22
Competitive Distinctiveness (CD) → Performance	+1 SD	Low	0.26	0.22	-0.18	0.69
Competitive Distinctiveness (CD) → Performance	+1 SD	High	0.02	0.20	-0.39	0.42

Bootstrapping results were based on 5,000 bootstrapped samples. N = 328, *p < 0.05, **p < 0.01, ***p < 0.001

Post Hoc Results

Model 10 with competitive distinctiveness as moderator offers some post hoc results. Testing the potential moderating role of competitive distinctiveness, this model results show that the interaction of institutional conformity and competitive distinctiveness had a statistically significant effect on normative legitimacy (B = -.475, SE = .175, 95% CI [-.819, -.129], p = .007). This suggests a post-hoc evidence that competitive distinctiveness negatively moderates the relationship between institutional conformity and normative legitimacy.

Another post-hoc finding from Model 10 is that the results suggested a three-way interaction between category appeal, competitive distinctiveness, and institutional conformity. At low levels of category appeal, institutional conformity had a negative and statistically significant direct effect on performance (B = -.503, SE = .24, 95% CI [-.98, -.02] for low competitive distinctiveness and (B = -.499, SE = .24, 95% CI [-.96, -.03] for high competitive distinctiveness). However, the difference in effects was not statistically significant. The interaction effect is presented in Figure 6 below. The indirect effects of institutional conformity on performance through normative legitimacy was significant based on the three-way interaction of category appeal and competitive distinctiveness. At all levels of category appeal, institutional conformity, when interacted with low distinctiveness, had a positive and significant indirect effect on performance through normative legitimacy (B = .62, SE = .14, 95% CI [.36, .91] at low levels of category appeal, B = .616, SE = .11, 95% CI [.41, .85] at moderate levels of category appeal, and B = .613, SE = .13, 95% CI [.37, .89] at high levels of category appeal). However, the differences in effects were not statistically significant depending on different levels of competitive distinctiveness. In addition, the indirect effect of institutional conformity was significantly positive on performance at the moderate levels of category appeal and high levels of competitive distinctiveness (B = .24, SE = .11, 95% CI [.04, .45]).

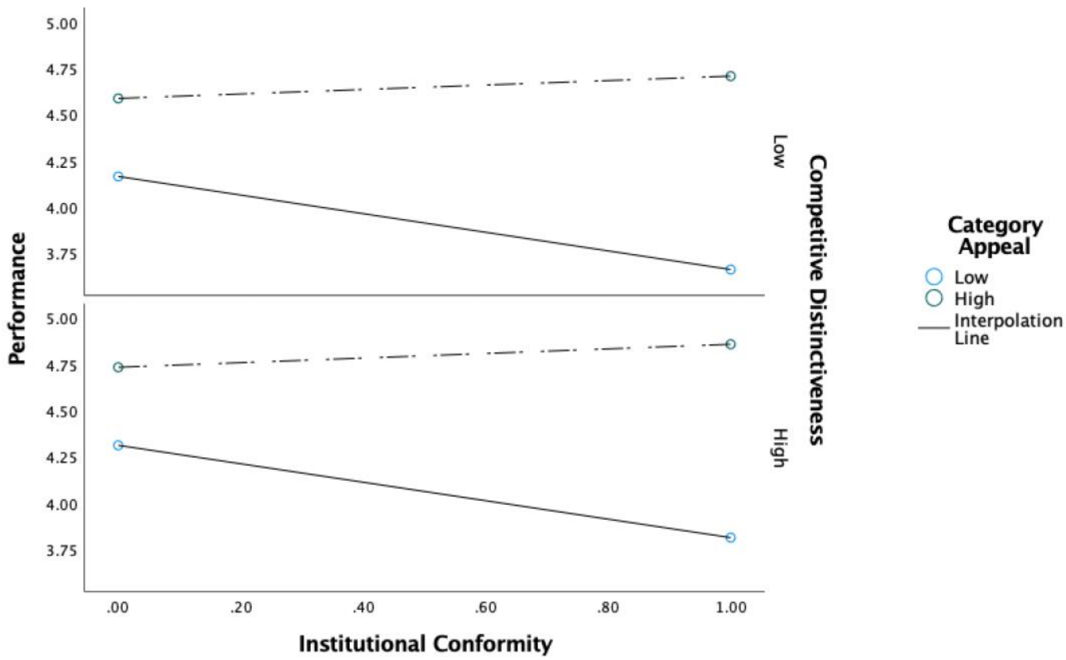

Figure 5. Competitive Distinctiveness as a Moderator

STUDY 1 FINDINGS: RESEARCH QUESTION 2

Model 10 in Study 1 offers some insights to answer the second research question. While the moderating role of institutional conformity was not statistically significant in this model, considering the indirect effects of competitive distinctiveness at different levels of category appeal and institutional conformity, there are some interesting findings. At both the moderate and high levels of category appeal, competitive distinctiveness had a positive and significant indirect effect on performance. At moderate level of category appeal, competitive distinctiveness had a positive relationship with performance when institutional conformity was low (B = .37, SE = .11, 95% CI [.16, .58]) as well as when institutional conformity was high (B = .21, SE = .10, 95% CI [.01, .41]). Since confidence intervals overlapped, the difference was not statistically significant. Similarly, at high levels of category appeal, competitive distinctiveness had a positive and statistically significant effect on performance (B = .48, SE = .14, 95% CI [.22, .76] when institutional conformity was low. When institutional conformity was high, competitive distinctiveness also had a positive and statistically significant effect on performance (B = .32, SE = .14, 95% CI [.07, .60]) at high levels of category appeal. However, the difference was not statistically significant. In sum, high distinctiveness had a positive and significant effect on performance at the moderate and high levels of category appeal regardless of the level of institutional conformity. This provides evidence while answering the research question 2. More specifically, high distinctiveness and low conformity had a positive effect on performance through pragmatic legitimacy. However, direct effects of competitive distinctiveness were not statistically significant on performance when moderated by category appeal and institutional conformity. Thus, these results suggest that high distinctiveness and low conformity can lead to positive outcomes when pragmatic legitimacy acts as a mediator.

In addition to Model 10, I conducted a one-way ANOVA and tested the mean differences between high competitive distinctiveness and low institutional conformity vignette (V2) and the others.

As the question is whether high distinctiveness and low conformity can lead positive results, I conducted a one-way ANOVA with each of the three dependent variables separately (i.e., performance, pragmatic legitimacy, and normative legitimacy).

First, I tested whether the mean of pragmatic legitimacy differed significantly for Vignette 2 and the other vignettes. Levene's Test was conducted to test the homogeneity of variance for each outcome variable, and it was not significant ($F(3, 324) = 1.737$, $p = .159$). Therefore, the assumption that the variances of the four groups were equal was met for all dependent variables. ANOVA table shows that the overall F ratio was significant ($F(3, 324) = 6.183$ $p < .001$). Therefore, the null hypothesis that all four groups' means were equal was rejected and it was concluded that at least one of the group means was significantly different from the others.

In order to determine which group means significantly differed from each other, a post hoc follow-up analysis was conducted. Since the assumption of homogeneity if variance was met, a post hoc analysis including the Tukey HSD was conducted. This analysis suggested that the mean of pragmatic legitimacy was statistically higher for high distinctiveness and low conformity (i.e., Vignette 2) ($M = 4.64$, $SD = .83$) than the mean of Vignette 3 which represents low distinctiveness and low conformity ($M = 4.27$, $SD = .73$) with a mean difference of .367 ($p < 0.05$). However, the mean of pragmatic legitimacy in Vignette 2 ($M = 4.64$, $SD = .83$) was not statistically different from the mean of pragmatic legitimacy in Vignette 4 which represents low competitive distinctiveness and high institutional conformity ($M = 4.54$, $SD = .73$).

Second, I tested whether the mean of normative legitimacy was different for Vignette 2 and the others. Levene's Test was not statistically significant (F (3, 324) = 1.171 and $p = .321$). ANOVA table showed that the overall F ratio was significant (F (3, 324) = 14.634 and $p < .001$). Since the assumption of homogeneity if variance was met, a post hoc analysis including the Tukey HSD was conducted. The post hoc analysis suggested that the mean of high distinctiveness and low conformity (i.e., Vignette 2) ($M = 4.98$, $SD = .96$) was statistically higher than the mean of Vignette 3 which represents low distinctiveness and low conformity for normative legitimacy (*M* = 4.59, *SD* = .83) with a mean difference of -.393 (p < .05). The mean of normative legitimacy in high distinctiveness and low conformity (i.e., Vignette 2) (*M* = 4.98, *SD* = .96) was also statistically different from but lower than the mean of normative legitimacy in Vignette 4 (*M* = 5.37, *SD* = .85) which represents low competitive distinctiveness and high institutional conformity with a mean difference of -.39 ($p < 0.05$) when normative legitimacy was the dependent variable.

Regarding the performance outcome, ANOVA table showed that the overall F ratio was not statistically significant ($F(3, 324) = 2.360$ $p = .071$). Therefore, the means of performance were not statistically significantly different between the vignettes.

In sum, the mean of pragmatic legitimacy was statistically higher for V2 (high distinctiveness and low conformity) (*M* = 4.64, *SD* = .83) than the mean for V3 (low distinctiveness and low conformity) (*M* = 4.27, *SD* = .73) but not statistically different from the mean for V4 (low distinctiveness and high conformity) (*M* = 4.54, *SD* = .73). In addition, the mean of normative legitimacy was higher for V4 (low distinctiveness and high conformity) (*M* = 5.37, *SD* = .85) than the mean for V2 (high distinctiveness and low conformity) (*M* = 4.98, *SD* = .96). For performance, V2 was not statistically significantly different from the others. Table 26a-b, 27a-b, and 28a-b present the one-way ANOVA results.

Table 26a. One-Way ANOVA Results for Pragmatic Legitimacy

		Sum of Squares	***df***	**Mean Square**	***F***	***p***
Pragmatic Legitimacy	Between Groups	10.572	3	3.524	6.183	<.001
	Within Groups	184.66	324	0.57		
	Total	195.232	327			

Table 26b. One-Way ANOVA Descriptive Statistics for Pragmatic Legitimacy

					95% Confidence Interval for Mean			
Vignette	*N*	Mean	SD	SE	Lower Bound	Upper Bound	Minimum	Maximum
V1 (HD-HC)	81	4.76	0.72	0.08	4.60	4.92	2.57	6.57
V2 (HD-LC)	80	4.64	0.83	0.09	4.45	4.82	2.71	7.00
V3 (LD-LC)	83	4.27	0.73	0.08	4.11	4.43	1.00	5.71
V4 (LD-HC)	84	4.54	0.73	0.08	4.38	4.70	2.43	6.29
Total	328	4.55	0.77	0.04	4.47	4.63	1.00	7.00
Fixed Effects			0.75	0.04	4.47	4.63		
Random Effects				0.10	4.22	4.88		

Table 27a. One-Way ANOVA Results for Normative Legitimacy

		Sum of Squares	*df*	Mean Square	*F*	*p*
Normative Legitimacy	Between Groups	31.322	3	10.441	14.634	<.001
	Within Groups	231.165	324	0.713		
	Total	262.487	327			

Table 27b. One-Way ANOVA Descriptive Statistics for Normative Legitimacy

					95% Confidence Interval for Mean			
Vignette	*N*	Mean	SD	SE	Lower Bound	Upper Bound	Minimum	Maximum
V1 (HD-HC)	81	5.30	0.73	0.08	5.13	5.46	4	6.67
V2 (HD-LC)	80	4.98	0.96	0.11	4.77	5.20	2	7.00
V3 (LD-LC)	83	4.59	0.85	0.09	4.40	4.78	1	6.33
V4 (LD-HC)	84	5.37	0.83	0.09	5.19	5.55	3	7.00
Total	328	5.06	0.90	0.05	4.96	5.16	1	7.00
Fixed Effects			0.84	0.05	4.97	5.15		
Random Effects				0.18	4.49	5.63		

Table28a. One-Way ANOVA Results for Performance

		Sum of Squares	*df*	Mean Square	*F*	*p*
Performance	Between Groups	14.483	3	4.828	2.36	0.071
	Within Groups	662.782	324	2.046		
	Total	677.265	327			

Table 28b. One-Way ANOVA Descriptive Statistics for Performance

Vignette	*N*	Mean	SD	SE	95% Confidence Interval for Mean Lower Bound	95% Confidence Interval for Mean Upper Bound	Minimum	Maximum
V1 (HD-HC)	81	4.53	1.30	0.1	4.3	4.8	1	6
V2 (HD-LC)	80	4.45	1.60	0.2	4.1	4.8	1	7
V3 (LD-LC)	83	4.00	1.40	0.1	3.7	4.3	1	6
V4 (LD-HC)	84	4.45	1.50	0.2	4.1	4.8	1	7
Total	328	4.36	1.40	0.1	4.2	4.5	1	7
Fixed Effects			1.43	0.1	4.2	4.5		
Random Effects				0.1	4.0	4.7		

STUDY 2 FINDINGS: RESEARCH QUESTION 1

Sample Descriptive Statistics

Inc5000 2019 list included 628 companies that were founded in 2014 and 2015. Of those, 382 had Twitter accounts, but only 359 had accessible and active accounts. In order to get the historical data from the time that the companies were founded until the most recent year by the time of data collection, the companies that had tweets both in the year of their founding and in 2020 were selected. Companies that did not have any tweets in 2020 were not included as they were inactive on Twitter. Therefore, the final sample consisted of 146 companies with a total of 16,582 firm-tweets. 105 companies were founded in 2014 and 41 were founded in 2015. Only the tweets shared in 2014 by the companies founded in 2014 (*N* = 10,731 firm-tweets) and those that were shared in 2015 by the companies founded in 2015 (*N* = 5,851 firm-tweets) were included in the analysis making the total number of observations 16,582 firm-tweets.

Inc5000 2019 list included information about revenue, growth, industry, number of employees, founding year, years in the Inc5000 lists, rank in the Inc5000 2019 list, and the company location (i.e., city, state). The average revenue was $15.2bn, average growth was 1,355.8%, average number of employees was 103. There were companies from 25 different industries in the final dataset. Average rank was 1,152 in the list of 2019 for this sample. Average number of times that a company in the sample appeared in Inc5000 list was 1.2 years. Average category appeal was $96.6bn. Descriptive statistics and correlations for key variables are reported in Table 29.

Table 29. Descriptive Statistics and Correlations for Key Variables

	Mean	Std. Dev.	1	2	3	4	5	6	7	8	9	10	11
Founded 2014	0.65	0.48											
Days Since Joined Twitter	611.56	711.58	-0.09***										
Number of Employees	103.16	351.56	0.06***	-0.12***									
Inc Years	1.22	0.44	0.24***	0.15***	0.21***								
Rank	1,039.98	1,152.49	0.14***	-0.03***	0.05***	0.11***							
Followers (ln)	7.47	1.45	-0.14***	0.09***	-0.17***	-0.12***	-0.22***						
Followed (ln)	6.73	1.53	-0.26***	0.06***	-0.20***	-0.01***	-0.21***	0.53***					
Tweets	2,239.19	2,002.47	-0.01	0.53***	-0.12***	0.08***	-0.13***	0.53***	0.28***				
Category Appeal	78.11	139.48	0.12***	0.11***	-0.03***	0.12***	0.03***	-0.08***	0.02**	0.11***			
Competitive Distinctiveness	5.80	6.24	0.03***	0.03***	0.05***	0.10	0.01	0.00	0.03***	0.04***	0.03***		
Institutional Conformity	0.86	2.50	0.04***	-0.03**	0.02**	0.02	0.00	-0.02*	0.00	-0.01	-0.01	0.04***	
Performance	0.97	3.97	-0.06***	-0.01†	-0.01	-0.03***	-0.02**	0.11***	0.04***	0.03***	-0.02*	-0.01	0.00
		Min	0	0.00299	1	1	3	2.3026	-9.21030	8	1.6	0	0
		Max	1	2825.96	2,800	4	4,982	11.8068	9.50428	16,899	676.4	66.67	33.33

N = 16,582 firm-tweets, $^{\dagger}p < 0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Outlier Analysis

Prior to conducting the analysis, I conducted an examination of potential outliers. To detect potential outliers, the independent variables were analyzed from a univariate perspective. The independent variables were first standardized, then the observations with standardized values exceeding 4 were determined (Hair et al., 1998). The reason for the selection of the cutoff threshold as 4 is due to the large sample size (Hair et al., 1998). Observations that exceed the threshold on more than one variable were noted. There were 8 observations that exceeded the threshold on both competitive distinctiveness and institutional conformity variables. Those variables were then examined more closely. The standardized dependent variable was below 4 for all observations. In addition, box plots and histograms were created to investigate the potential outliers for each variable. Then, bivariate analyses were conducted by creating scatter plots for the independent variables with the dependent variable. None of the potential outliers displayed real uniqueness in the dataset compared to the remainder of the population (Hair et al., 1998). Therefore, no outlier was deleted from the dataset.

Quantitative Findings

I conducted this second study to measure the effects of competitive distinctiveness (CD) and institutional conformity (IC) on new venture performance as well as to test the moderating effect of category appeal and the moderating effect of competitive distinctiveness (CD). This study did not include legitimacy as mediator. Therefore, there are fewer hypotheses tested in Study 2 than in Study 1.

Table 30 presents the results from the statistical analysis. Model 1 reports the results of tests that include only control variables. Category appeal (CA) variable was also included as a control variable in Model 1. The effect of all of the control variables were significant at the $p < .001$ level. The hypotheses tested in this study and the results from a multilevel analysis utilizing a negative binomial model are presented below.

Table 30. Model Results

Variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Intercept	-1.6757010	-1.6619590	-1.6511840	-1.6500600
Controls				
Founded 2014	-0.2639753***	-0.2664175***	-0.2705661***	-0.2708986***
Days Since Joined Twitter	-0.0004397***	-0.0004400***	-0.0004429***	-0.0004433***
Number of Employees	-0.0005441***	-0.0005542***	-0.0005580***	-0.0005589***
Inc Years	0.5607795***	0.5557960***	0.5562481***	0.5559806***
Rank	-0.0003077***	-0.0003110***	-0.0003134***	-0.0003139***
Followers	-0.2183986***	-0.2190991***	-0.2201620***	-0.2204622***
Followed	-0.1672844***	-0.1677827***	-0.1690300***	-0.1687489***
Tweets	0.0001310***	0.0001287***	0.0001289***	0.0001289***
Category Appeal	0.0027651***	0.0027082***	0.0029783***	0.0029723***
Direct Effect				
Competitive Distinctiveness		0.0167177*	0.0326431**	0.0347979**
Institutional Conformity		0.0456805*	0.0485015†	0.0622013*
Interaction Effects				
CD × CA			-0.0001741**	-0.0001733**
IC × CA			-0.0000283	-0.0000246
Model Fit Statistics				
-2 Log Likelihood	43,699.51	43,690.208***	43,681.57***	43,680.932***
Δ in degrees of freedom		2.00	2.00	3.00
Δ in -2 Log Likelihood		-9.30**	-8.64*	-9.28*

†$p < 0.10$, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$

Hypotheses 2 and 6

Hypothesis 2: *Competitive distinctiveness (CD) will have a positive relationship with new venture performance.*

Hypothesis 6: *Institutional conformity (IC) will have a positive relationship with new venture performance.*

Model 2 was performed to test the direct effects of competitive distinctiveness (CD) and institutional conformity (IC) on new venture performance from Hypothesis 2 and Hypothesis 6 respectively. The model fit indices for Model 2 indicate that the direct effects significantly improved the model fit compared to Model 1 including only the control variables (Δ in -2LL = -9.30, Δ in degrees of freedom = 2, $p < .01$). The hypothesis 2 predicted a positive relationship between competitive distinctiveness (CD) and performance. The results from Model 2 indicate that this relationship was positive and statistically significant ($\beta = .017$, $p < .05$). This finding supports the Hypothesis 2.

Regarding the Hypothesis 6 that predicted a positive relationship between institutional conformity (IC) and performance, Model 2 indicates that this direct relationship was also positive and statistically significant ($\beta = .046$, $p < .05$). This finding supports the Hypothesis 6.

In short, there was evidence for the positive effect of both competitive distinctiveness (CD) and institutional conformity (IC) on performance.

Hypothesis 9

> ***Hypothesis 9a:*** *Category appeal will negatively moderate the relationship between competitive distinctiveness (CD) and new venture performance such that competitive distinctiveness (CD) will have a weaker relationship with performance when category appeal is higher, but it will have a stronger relationship with performance when category appeal is lower.*
>
> ***Hypothesis 9b:*** *Category appeal will positively moderate the relationship between institutional conformity (IC) and new venture performance such that institutional conformity (IC) will have a stronger relationship with performance when category appeal is higher, but it will have a weaker relationship with performance when category appeal is lower.*

The moderating effect of category appeal (CA) was tested in Model 3. Model 3 includes the interaction effects of the independent variables with category appeal (CA). Model fit indices for Model 3 show significant improvement of model fit compared to Model 2 (Δ in -2LL = -8.64, Δ in degrees of freedom = 2, $p < .05$). The hypothesis 9a predicted a negative moderating effect of category appeal on the competitive distinctiveness-performance relationship while hypothesis 9b predicted a positive moderating effect of category appeal on the institutional conformity-performance relationship. The results from Model 3 indicate that category appeal (CA) significantly moderates the relation between competitive distinctiveness (CD) and performance, and this relationship was negative ($\beta = -.00017$, $p < .05$). Therefore, Hypothesis 9a was supported. The interaction effect between institutional conformity (IC) and category appeal (CA) on performance was not statistically significant. Therefore, Hypothesis 9b was not supported.

In sum, there was evidence for the negative moderating role of category appeal (CA) on the relationship between competitive distinctiveness (CD) and performance. However, category appeal (CA) did not moderate the relationship between institutional conformity (IC) and performance.

Hypothesis 10

Hypothesis 10: *Competitive distinctiveness (CD) will positively moderate the relationship between institutional conformity (IC) and new venture performance.*

To test the moderating effect of competitive distinctiveness (CD) on the relationship between institutional conformity (IC) and performance, Model 4 includes the interaction effects of competitive distinctiveness and institutional conformity. Model fit indices of Model 4 were compared to Model 3 and the results indicated that model fit improvement as statistically significant (Δ in -2LL = -.64, Δ in degrees of freedom = 1, $p < .05$). Hypothesis 10 predicted a positive moderating role of competitive distinctiveness on institutional conformity-performance relationship. The results indicate that the interaction effect of competitive distinctiveness (CD) and institutional conformity (IC) was not statistically significant. Thus, Hypothesis 10 was rejected.

Post Hoc Analysis

In order to test a potential three-way interaction effect, I included all two-way interaction terms (CD*CA, IC*CA, and CD*IC) as well as the three-way interaction term (CD*IC*CA). Only the interaction effect of competitive distinctiveness (CD) and category appeal (CA) was statistically significant and negative (β = -.00017, $p < 0.01$) but three-way interaction effect of competitive distinctiveness (CD), institutional conformity (IC), and category appeal (CA) was not statistically significant.

As theory suggests that there may be a curvilinear relationship between distinctiveness and performance (Deephouse, 1999), another post hoc analysis was performed to test for potential curvilinear relationship. I included the quadratic terms of each independent variable competitive distinctiveness as CD*CD and IC*IC in the model. The relationship between the quadratic term of competitive distinctiveness and performance was not statistically significant. The results indicated that competitive distinctiveness (CD) did not have a significant curvilinear effect on performance. Similarly, the relationship between the quadratic term of institutional conformity and performance was not statistically significant. The results indicated that institutional conformity (IC) did not have a significant curvilinear effect on performance.

I conducted a final post hoc analysis to investigate the effects of time in these relationships. To do so, I used the tweets in the dataset from 2020. The goal of this analysis was to compare the main test results including the first-year tweets (i.e., dataset 1) with the results with the most recent tweets (i.e., dataset 2) and determine whether competitive distinctiveness (CD) and institutional conformity (IC) as well as category appeal have differential effects on performance as the time goes on.

The sample included the same companies as the main dataset except that the tweets were different. In addition, the new sample with 2020 data included 3 more companies that were not in the main dataset as those companies did not have their first-year tweets. There were 149 companies in this new dataset. I conducted the analysis for dataset 2. Consistent with the findings of the main study, the hypothesis 2 predicting a positive relationship between competitive distinctiveness (CD) and performance was supported ($\beta = .0324$, $p < .001$). Hypothesis 2 was supported in both analyses.

However, hypothesis 6 that predicted a positive relationship between institutional conformity (IC) and performance was not supported since the relationship was not statistically significant. This relationship was significantly positive for the dataset 1.

The results from Model 3 indicate that category appeal (CA) significantly and negatively moderates the relation between competitive distinctiveness (CD) and performance ($\beta = -.00016$, $p < .001$) for dataset 2 which was consistent with the results from the dataset 1. Therefore, Hypothesis 9a was supported. Category appeal (CA) was not a significant moderator for the relation between institutional conformity (IC) and performance for neither of the datasets. Therefore, Hypothesis 9b was not supported.

The results from Model 4 indicate that the interaction effect of competitive distinctiveness (CD) and institutional conformity (IC) was negative and statistically significant (β = -.013, $p < .05$). Thus, Hypothesis 10 was supported when using dataset 2. This finding is interesting because while the moderating effect of competitive distinctiveness (CD) on the relationship between institutional conformity (IC) and performance was not significant in the first year of a new venture, this moderation became significant in the later years. Moreover, this effect was negative. As the time goes on, increased competitive distinctiveness (CD) diminished the strength of the effect of institutional conformity (IC) on performance.

There was no evidence for the three-way interaction as it was the case in the dataset 1. Testing for the curvilinear relationship, I entered the quadratic term of competitive distinctiveness (CD) in the model. The results indicate that competitive distinctiveness (CD) had a significantly negative curvilinear relationship with performance (β = -012, $p < .001$). The curvilinear relationship was not found in the dataset 1. These results suggest that as time goes on, competitive distinctiveness and will have an inverted U-shaped relationship with performance. In addition, category appeal had a significantly negative moderating relationship with the curvilinear relationship between competitive distinctiveness (CD) and performance (β = -.00002, $p < .01$). Post hoc results are presented in Table 31 below.

Table 31. Post Hoc Test Results

Relationship	Dataset	Direction	Finding	Comparing Twitter Datasets
3-Way Interaction CD × IC × CA	1	N/A	Rejected	Same
Curvilinear Effect CD*CD	1	N/A	Rejected	Negative in Dataset 2
Curvilinear Effect IC*IC	1	N/A	Rejected	Negative in Dataset 2
CD	2	Positive	Supported	Same
IC	2	N/A	Rejected	Positive in Dataset 1
CD*CA	2	Negative	Supported	Same
IC*CA	2	N/A	Rejected	Same
IC*CD	2	Negative	Supported	Not significant in Dataset 1
Curvilinear Effect CD*CD	2	Negative	Supported	Not significant in Dataset 1
Curvilinear Effect IC*IC	2	Negative	Supported	Not significant in Dataset 1
CD*CD*CA	2	Negative	Supported	N/A
IC*IC*CA	2	N/A	Rejected	N/A

CHAPTER VI

DISCUSSION AND CONCLUSION

OVERVIEW

This chapter presents a summary and a discussion of the findings in the empirical studies. The purpose of this dissertation was to add precision to the construct of legitimate distinctiveness by investigating the separate effects of competitive distinctiveness and institutional conformity on new venture legitimacy as well as their interactive effects on subsequent performance. This discussion will present the results of the analyses and the answers to the research questions. Specifically, this chapter includes (1) the interpretation of how new ventures can gain legitimacy and improve their performance by communicating both their competitive distinctiveness and institutional conformity, (2) how the relationships are affected by the category appeal, and (3) whether there is a distinction within different audiences' evaluations as well as in time. The discussion ends with research implications—both theoretical and practical—as well as a presentation of limitations and suggestions for future research directions. The results from both studies are presented in Table 32 below.

Table 32. Summary of Results

Hypothesis	Relationship	Study	Design	Dataset	Direction	Finding
H1	CD → Pragmatic Legitimacy (PL)	1	Experiment	Graduate Students	Positive	Supported
H2	CD → Performance	1	Experiment	Graduate Students	N/A	Rejected
H3	NL → Performance	1	Experiment	Graduate Students	Positive	Supported
H4	CD → PL → Performance	1	Experiment	Graduate Students	Positive	Supported
H5	IC → Normative Legitimacy (NL)	1	Experiment	Graduate Students	Positive	Supported
H6	IC → Performance	1	Experiment	Graduate Students	N/A	Rejected
H7	NL → Performance	1	Experiment	Graduate Students	Positive	Supported
H8	IC → NL → Performance	1	Experiment	Graduate Students	Positive	Supported
H9a	CD × CA → Performance	1	Experiment	Graduate Students	N/A	Rejected
H9b	IC × CA → Performance	1	Experiment	Graduate Students	Positive	Supported
H10	CD × IC → Performance	1	Experiment	Graduate Students	N/A	Rejected
H2	CD → Performance	2	Archival	Twitter	Positive	Supported
H6	IC → Performance	2	Archival	Twitter	Positive	Supported
H9a	CD × CA → Performance	2	Archival	Twitter	Negative	Supported
H9b	IC × CA → Performance	2	Archival	Twitter	N/A	Rejected
H10	CD × IC → Performance	2	Archival	Twitter	N/A	Rejected

RESULTS

Research Question 1

The first research question was: “How do new ventures gain legitimacy and improve their performance through distinctive, yet conforming identity claims communicated by storytelling and how does category appeal influence this relationship?” To address this question, I conducted two separate empirical studies. One was an experimental survey designed to understand how investors’ legitimacy judgements are influenced by competitive distinctiveness and institutional conformity and investigate the mediating role of legitimacy on the relationship between identity claims and performance. The second study aimed at understanding how communicating different levels of competitive distinctiveness and institutional conformity to consumers (existing or potential) affected new venture performance on a social media platform (i.e., Twitter), but did not include legitimacy in the model. Both studies also investigated the moderating role of category appeal on the examined relationships as well as the moderating role of competitive distinctiveness on institutional conformity-performance relationship.

Study 1 showed evidence that both competitive distinctiveness and institutional conformity are influential on performance but through legitimacy. The direct effect of distinctiveness on performance was not significant. However, distinctiveness has a positive effect on pragmatic legitimacy and pragmatic legitimacy has a positive effect on performance. In addition, distinctiveness has a positive relationship with performance when mediated through pragmatic legitimacy. Therefore, the results suggested that pragmatic legitimacy mediates the relation between competitive distinctiveness and performance. Results were similar for conformity, normative legitimacy and performance relationships.

The direct effect of conformity on performance was not significant. However, conformity has a positive effect on normative legitimacy and normative legitimacy has a positive effect on performance. In addition, conformity has a positive relationship with performance when mediated through normative legitimacy. The results indicate that normative legitimacy mediates the relationship between institutional conformity and performance. These results show evidence that new ventures can achieve pragmatic legitimacy by communicating their distinctiveness in their business plan, and consequently acquire the funding they request from the investors. While there is some research on the role of distinctiveness and legitimacy (e.g., Taeuscher et al., 2020), this finding specifically supports my argument that distinctiveness by itself can lead to pragmatic legitimacy. Similarly, new ventures can acquire normative legitimacy by communicating how they conform to rules, norms, and expectations and subsequently improve their performance (i.e., acquire funding). The latter result supports the well-known argument in the institutional theory that isomorphism legitimates (Deephouse, 1996). In addition, it provides support that through isomorphism, new ventures can achieve normative legitimacy, and consequently improve their performance, in other words, normative legitimacy facilitates the acquisition of funding using conforming language in business plans.

While isomorphism legitimates is a well-accepted notion in the literature, I find support for the argument that distinctiveness also legitimates. This is important because not only this finding supports the ambidextrous view that both distinctiveness and conformity can coexist and lead to positive outcomes but also it provides evidence that competitive distinctiveness can lead to legitimacy. I evaluate this further through the examination of high distinctiveness and low conformity in response to the second question. I discuss the findings in the following subsection *Research Question 2*.

Study 2 also showed support for the positive role of competitive distinctiveness and institutional conformity on performance. This study did not include the legitimacy construct and relationships. However, it can be assumed that legitimacy is the underlying mechanism here as well based on the findings of the Study 1. Study 2 showed support for the positive effect of competitive distinctiveness on performance when institutional conformity was in the model. Even in the first year of the company, competitive distinctiveness played a positive role on performance regardless of the communication of institutional conformity.

Regarding the moderating role of category appeal, I found support for its role in the institutional conformity and performance relationship in Study 1. Contrary to my hypothesis, category appeal did not moderate the relationship between competitive distinctiveness and performance, but it did moderate the relationship between institutional conformity and performance. I argued that when category appeal was high, higher distinctiveness would lead to negative outcomes. Instead, the results suggest that the magnitude of competitive distinctiveness-performance relationship is not contingent upon the level of category appeal. Put differently, regardless of how appealing the category is, competitive distinctiveness leads to positive outcomes through pragmatic legitimacy. So, even in highly appealing categories, new ventures can communicate how much they differ from the other companies, and yet achieve legitimacy and higher performance. This may be due to the fact that while doing this, they may also be communicating their similarities and their conformity to rules and expectations.

However, in Study 1, category appeal was found to be a significant moderator on the institutional conformity-performance. In other words, category appeal strengthens the effects of institutional conformity on performance. This finding supports my hypothesis. Specifically, the findings indicate that at low levels of category appeal, institutional conformity has a more negative effect on performance, but this effect is not significant at high levels of category appeal. This is interesting as it implies that if the category is not very appealing, institutional conformity may lead to reduced performance.

Contrary to findings in Study 1 about the category appeal, Study 2 provided evidence that category appeal negatively moderated the effect of competitive distinctiveness on performance, but it did not moderate the relationship between institutional conformity and performance. The former finding supports my hypothesis. When the new ventures' category is highly appealing, their drawing away from the commonalities of the category by communicating how distinct they are and how different they are from the others in the category (i.e., their competitors) negatively affects the positive effects of being distinct. In other words, distinctiveness becomes less effective and helpful for performance improvement as the category is more appealing. This makes sense since stakeholders would like to see how the company fits within the category and is similar to the other companies within that category is very appealing to them. However, as the category appeal increased, the influence of conformity on performance did not change accordingly. This suggests that conformity has a positive effect on performance regardless of the level of appeal of the category. This is surprising as one would expect that conforming to institutional norms and rules in a low appealing category would not matter substantially and could even have destructive effects. However, that was not the case here. This result is more in line with the categorical imperative view (Zuckerman, 2016) suggesting that conformity is always desired. Perhaps, regardless of the appeal of the category, stakeholders want to know that the company follows the rules and norms of the society. However, this does not prove the categorical imperative's main claim that conformity should precede distinctiveness which will be discussed in regard to the second research question.

The hypothesis concerning the moderating role of competitive distinctiveness on the relationship between institutional conformity and performance was not supported in neither Study 1 (i.e., experiment) nor Study 2 (i.e., Twitter). However, post hoc evidence from Study 1 offers some interesting findings that I discuss below.

First, while the interaction between institutional conformity and competitive distinctiveness was not significant, a three-way interaction suggested that at low levels of category appeal, when competitive distinctiveness was communicated, conformity had a negative direct effect on performance. Considering the indirect effects, regardless of category appeal, institutional conformity had positive indirect effect on performance through normative legitimacy when competitive distinctiveness was low. In other words, new ventures may achieve higher performance by communicating how conforming they are to the expectations of the stakeholders if they communicated less of their distinctiveness (e.g., benefits). Only at moderate levels of category appeal, institutional conformity positively influenced performance through normative legitimacy when high levels of competitive distinctiveness were also communicated. However, the difference between the effects of low and high distinctiveness was not statistically significant. These findings suggest that, when normative legitimacy is not influential (not in the model), institutional conformity can lead to lower performance if combined with distinctiveness. However, through normative legitimacy, institutional conformity leads to positive outcomes, especially when distinctiveness is not communicated very strongly.

Comparing the two studies, the main finding is that competitive distinctiveness and institutional conformity can each lead to improved performance, especially when mediated by legitimacy. Regarding the moderating role of category appeal, it is interesting that the results were not consistent across the two studies. Specifically, results suggested that category appeal strengthened the relationship between institutional conformity and performance in the first study while it was not a significant moderator in this relationship in the second study. In addition, while category appeal weakened the relationship between competitive distinctiveness and performance in the second study, it was not a significant predictor in this relationship in the first study. This may be due to the differences in the stakeholder profiles between the studies. The first study's decision makers are investors who assess a new venture's business plan based on its distinctiveness and conformity. For this sample, conforming to rules and expectations may have mattered more and may have been more influential on their investment decisions when the category was more appealing to them. In addition, as the conditional direct effects indicate, only at low category appeal, institutional conformity had a more negative effect on performance. This suggests that, while category appeal strengthens the relationship between conformity and performance, when entering a category that is not very appealing to investors, new ventures should not communicate much conformity in their business plans. Considering the second study and the sample being customers (existing or potential) who interacted with the new venture on Twitter, distinctiveness had a weaker effect on performance as the category becomes more appealing to them, but the strength of the positive effect of conformity was not contingent upon the category appeal. This may be because customers do not want to see very distinct companies when the category was more appealing. They may have prototypes in mind that they like and accept and for a certain category that is appealing, deviations from the prototype may have been undesired.

Further post hoc analysis on the time effects offered interesting results. First, while competitive distinctiveness had a positive effect on performance both in the beginning of the new venture's lifecycle and later in time, institutional conformity did not have a significant effect on performance as the new ventures grew older. In addition, category appeal weakened the effect of competitive distinctiveness on performance both in the beginning and later in time. However, the effect of institutional conformity on performance was not contingent upon the level of category appeal neither of times. These findings suggest that as new ventures enter and grow in a high appealing category, they should refrain from communicating a very high level of distinctiveness.

Second, while competitive distinctiveness did not moderate the relationship between institutional conformity and performance in Study 2, this result was different when the new ventures were 5-6 years old. At this stage, competitive distinctiveness negatively moderated the effects of institutional conformity on performance. These findings suggest that, if new ventures increase their communication of their distinctiveness as they get older, conforming language may lead to lower performance outcomes. In other words, conformity has a weaker effect on performance as new ventures communicate more distinctiveness. While this finding does not support the hypothesis that competitive distinctiveness will positively moderate the relationship between institutional conformity and new venture performance, it provides some interesting insights and potential avenues for future research. Interestingly, post hoc findings indicate that competitive distinctiveness negatively moderates the effect of institutional conformity on normative legitimacy. As competitive distinctiveness is communicated more, institutional conformity effect on normative legitimacy gets weaker. This offers complementary insights about the moderating role of competitive distinctiveness on the institutional conformity-performance relationship. In addition to competitive distinctiveness negatively moderating the effects of institutional conformity on performance in Study 2 as new ventures get older, competitive distinctiveness also negatively moderates the effects of institutional conformity on normative legitimacy. Both findings suggest that increased communication of competitive distinctiveness may hamper the positive effects of conformity language on both legitimacy and performance. In addition, looking at the post hoc results for competitive distinctiveness as moderator, low levels of distinctiveness lead to higher performance when combined with institutional conformity. Therefore, this suggests that when new ventures communicate their conformity, they will achieve higher performance—through the normative legitimacy mechanism—if they keep their communication of distinctiveness at a low degree.

Third, the post hoc tests analyzing the most recent year tweets suggested that competitive distinctiveness had a curvilinear relationship with performance in the later stages of the new ventures' lifecycle. This result suggests that customers (potential or existing) are attracted to new ventures when they communicate how they are distinct up to a certain point, above which they start questioning the new venture and may reject it if it became too distinct. This is in line with the threshold view of strategic balance and the foundings of Deephouse (1996) suggesting moderate levels of competitive distinctiveness leading to the best performance outcomes. This was further supported with the results that category appeal moderated the curvilinear effect of distinctiveness on performance. Specifically, category appeal suppressed the inverted U-shape relationship between competitive distinctiveness and performance such that the threshold became lower as the category appeal increased. Similar to the effect of competitive distinctiveness, an inverted U-shape relationship was found between institutional conformity and performance in the later years of the new ventures. This finding suggests that as new ventures grow, their conforming language becomes less effective and more detrimental for their performance. While conformity helps achieve legitimacy and increase performance up until certain point, it becomes detrimental if it is communicated above a certain threshold. While legitimacy is not in the model in this study, this finding challenges the argument that isomorphism legitimates and that it is good for performance. Although this finding is consistent with the categorical imperative in that conformity is desired and effective in the early years of the new venture, later in time, it may become detrimental on performance.

Research Question 2

The second research question was "Is conformity always necessary for legitimacy acquisition? Or can high distinctiveness with low conformity still achieve positive results?". To answer this question, the interactive effects of competitive distinctiveness and institutional conformity on legitimacy and performance were analyzed.

The results in Study 1 suggested that high distinctiveness and low conformity can lead to positive outcomes in terms of pragmatic legitimacy. Specifically, high distinctiveness and low conformity communication lead to higher pragmatic legitimacy than low distinctiveness and low conformity. However, whether high distinctiveness and low conformity or low distinctiveness and high conformity lead to higher pragmatic legitimacy and performance outcomes cannot be determined. Therefore, it can be concluded that while high distinctiveness can coexist with low conformity and still lead to higher pragmatic legitimacy than low distinctiveness and low conformity, there is no evidence that it is stronger than low distinctiveness and high conformity effects on pragmatic legitimacy. Yet, these findings provide evidence that high distinctiveness and low conformity can lead to positive outcomes, specifically in terms of pragmatic legitimacy, which is found to be influential on performance. Future research could look into the factors and contexts that contribute to this finding and determine when high distinctiveness and low conformity and when low distinctiveness and high conformity can lead to higher pragmatic legitimacy.

In addition, when the moderating role of institutional conformity was examined through a post hoc analysis in Study 1, the results suggested that competitive distinctiveness had a significantly positive effect on performance only when the category appeal was moderate or high. In addition, competitive distinctiveness had a stronger positive effect on performance when institutional conformity was both low and high. This provides evidence for the second question and suggests that high distinctiveness and low conformity can lead to higher performance, specifically when category appeal is higher. While both high distinctiveness and high conformity can lead to positive outcomes as category appeal is higher, communicating high distinctiveness and low conformity can also lead to higher performance outcomes.

Interestingly, I also find support that high distinctiveness and low conformity can lead to positive outcomes in terms of normative legitimacy. These results support that high distinctiveness can generate positive outcomes whether it is pragmatic legitimacy or normative legitimacy when it is accompanied with low institutional conformity. However, organizations may achieve more positive normative legitimacy if they communicate more of their conformity and less of their distinctiveness. In sum, I find support that high distinctiveness and low conformity can lead to positive outcomes.

LEGITIMATE DISTINCTIVENESS

"Be different as legitimately as possible." (Deephouse, 1999) This is what has been the most prominent view in the literature and what gives basis for legitimate distinctiveness. While it has been suggested that entrepreneurial stories should balance the need for legitimacy by conforming to societal norms and developing unique identities to gain competitive advantage (Lounsbury & Glynn, 2001), this argument neglects the possibility that legitimacy can also be acquired by being distinct and communicating this distinctiveness.

What if we were to restate this and argue: "*entrepreneurial stories should satisfy and balance their need for legitimacy by communicating their distinctiveness and developing unique identities to gain competitive advantage*"? I join recent research that distinctiveness can lead to legitimacy, but differently from Taeuscher et al. (2020), I suggest that legitimacy can be gained by communicating distinctiveness, and a unique and distinct identity can lead to pragmatic legitimacy and subsequently improve new venture performance. In addition, both legitimacy and performance outcomes do not necessarily depend on the existence and communication of high conformity. Rather, new ventures can acquire legitimacy and improve performance by communicating their distinctiveness. Therefore, I suggest a consideration of 'distinctive legitimacy'—emphasizing distinctiveness over conformity and the legitimizing role of distinctiveness—as an alternative to legitimate distinctiveness.

While supporting the notion of distinctive legitimacy, the post hoc results offer a warning that there might be a threshold for effective outcomes. More specifically, in line with the strategic balance view that moderate levels of distinctiveness lead to the best performance outcomes, the results here suggest that after a certain level, distinctiveness may be detrimental to performance outcomes. However, this is also the case for conformity, specifically as the new ventures grow. While conformity is suggested to also lead to legitimacy and improved performance, past a certain threshold, conformity may also be detrimental for performance was the new ventures age.

While the findings of this dissertation offer support for strategic balance and optimal distinctiveness literatures in that there is a threshold for distinctiveness and conformity to achieve positive performance outcomes, this study departs from this literature in that there does not have to be a trade-off between distinctiveness and conformity such that they can each help achieve legitimacy and thus increased performance. Another departing point is that this study provides evidence that high distinctiveness and low conformity can also lead to successful outcomes. In line with the ambidextrous view of legitimate distinctiveness literature in that both conformity and distinctiveness can coexist, this study offers a new perspective such that 'distinctive legitimacy' can be effective for successful outcomes.

RESEARCH IMPLICATIONS AND CONTRIBUTIONS

Overall, the findings in this dissertation inform research on optimal distinctiveness, strategic balance and legitimate distinctiveness by providing support for the ambidextrous view that distinctiveness and conformity can coexist, and that there does not have to be a trade-off between them as optimal distinctiveness and strategic balance theory assume (e.g., Deephouse, 1999). By conducting two separate studies involving two elaborate designs and more importantly by utilizing datasets sampling two major stakeholder groups (i.e., investors and (potential or existing) customers), and measuring individual perceptions (i.e., propriety judgements) as well as collective (i.e., validity judgements), I answer the call by researchers to integrate micro and macro perspectives of legitimacy. More specifically, I consider multiple convergence points—within the communication of organizational identity claims—to measure various stakeholders' perceptions (Zhao et al., 2017). In addition, I directly measure the legitimacy perceptions of stakeholders using validated scales (i.e., pragmatic and normative legitimacy) rather than utilizing proxies that may not be measuring what they are supposed to be measuring, which ensures face validity of this study. Moreover, this study contributes to the optimal distinctiveness theory and legitimate distinctiveness research by modeling and measuring legitimacy as a mediator between distinctiveness-performance and conformity-performance relationships.

I add precision to the construct of legitimate distinctiveness by addressing some theoretical nuances. First, I argue that not only conformity but also distinctiveness can serve as legitimating tools by new ventures and test these arguments. New ventures can acquire propriety judgments of legitimacy (Dornbusch & Scott, 1975; Bitektine & Haack, 2015) by communicating their distinctiveness and their conformity at the same time. Complementing the widely accepted argument that isomorphism legitimates (Deephouse, 1996, 1999, Meyer & Rowan, 1977), this study found evidence that in addition to conformity and separately from it, distinctiveness can also generate legitimacy and improve performance for new ventures. Put differently, new ventures can overcome liability of newness (Deephouse, 1996) by communicating how similar they are to the others in terms of conforming to norms and rules of the industry and the expectations of the society as well as by reflecting how different they are from their peers in terms of who they are, what they do and how they do it. This is an important contribution as the role of distinctiveness on new venture (pragmatic) legitimacy is understudied (see Taeuscher et al., 2020 for an exception). More specifically, I develop theory around and test the relationship between competitive distinctiveness and pragmatic legitimacy and find support for the mediating role of pragmatic legitimacy between competitive distinctiveness and performance. In addition, I test and find support for the mediating role of normative legitimacy between institutional conformity and performance.

Furthermore, a curvilinear effect (i.e., inverted U shaped) was found between distinctiveness on performance similar to Deephouse's (1999) findings. However, this study enlightens the literature on legitimacy and the findings of Deephouse (1996) as the curvilinear effect of distinctiveness happens in the later years of the new venture, rather than its first year since the founding. This is an interesting finding that advances the literature on strategic balance. While Deephouse (1999) focused on banking industry and limited the distinctiveness (i.e., similarity) and conformity dimensions to assets' characteristics, this dissertation investigates a wide array of new ventures on various aspects of their strategies communicated through their identity claims, rather than a single asset structure. By doing so, I answer the call to not to limit optimal distinctiveness to only one strategic convergence point (Zhao et al., 2017). Instead, this study integrates many different aspects of a new venture business strategy within the business plan's executive summary including both competitive distinctiveness and institutional conformity elements. Similarly, the study on Twitter investigates how new ventures integrate various distinctiveness and conformity messages into their communication which also integrates multiple convergence points rather than a single one as suggested by Zhao et al. (2017).

Moreover, this study treats competitive distinctiveness and institutional conformity as two separate constructs rather than two ends of a continuum (e.g., Deephouse, 1999). This allows to draw a more accurate and more complete picture of the role of distinctiveness and conformity on legitimacy and performance, and more importantly their balance. Taking an ambidextrous perspective, this dissertation provides evidence that competitive distinctiveness and institutional conformity can coexist and there does not need to be a tradeoff. Both high distinctiveness-low conformity and low distinctiveness-high conformity can lead to positive outcomes. Answering the call from researchers (e.g., Tan et al., 2013), I examine the effects of institutional isomorphism and competitive isomorphism (through competitive distinctiveness) simultaneously.

Another contribution is the theorization and the empirical examination of the moderating role of competitive distinctiveness on the institutional conformity-performance relationship. While the hypothesis was not supported with the sample of new ventures during their early years, post hoc analysis showed evidence that there may be a negative moderating effect of distinctiveness in the later stages of the lifecycle of the new ventures. As such, this dissertation offers valuable insights for the development of optimal distinctiveness, strategic balance, and legitimate distinctiveness research.

The findings also advance the categorization literature by providing evidence for the moderating role of category appeal on the effects of distinctiveness and performance as well as conformity and performance. This is an important contribution to the research on optimal distinctiveness as well as category literature. As the category is more appealing, new ventures should communicate less of their distinctiveness to improve their performance. In addition, conformity has a stronger effect on performance when new ventures enter or operate in appealing categories. While a widely held argument known as "categorical imperative" (Zuckerman, 2016) suggests that new ventures must first conform to the rules and norms imposed by institutions before they can distinguish themselves from their competitors in order to achieve legitimacy, this study offers findings that conformity may not be that crucial to achieve legitimacy and improve performance. More specifically, I find evidence that high distinctiveness with low conformity can lead to pragmatic legitimacy, and subsequently can help new ventures achieve increased performance. By demonstrating this relationship, this dissertation contributes to the optimal distinctiveness research and challenges the longstanding view that conformity must proceed distinctiveness.

This finding also contributes to research on legitimate distinctiveness by adding precision that distinctiveness does not always have to complement and follow or be accompanied by conformity in order to achieve successful outcomes. Contrary to some findings in research that conformity matters in early stages and distinctiveness later (e.g., Wry et al., 2011; Hsu & Grodal, 2015), this study found evidence that both conformity and distinctiveness can be influential in early stages of the new venture. The results also suggest that, in the later stages of the new venture's lifecycle, distinctiveness may weaken the positive influence of conformity on performance. This may be due to the detrimental effects of distinctiveness beyond a threshold. In addition, distinctiveness weakens the effect of conformity on normative legitimacy. These are some interesting findings that need further research.

In addition, this study offers insights on how legitimate distinctiveness may vary across time and space. Through the examination of new venture strategy and communication within two different contexts (i.e., business plan and social media) that address two different stakeholders (i.e., investors and customers), this study sheds light on the neglected aspects of the optimal distinctiveness theory (Zhao et al., 2017).

Finally, this study contributes to research on cultural entrepreneurship and legitimate distinctiveness by integrating micro and macro processes of legitimacy evaluations into the theorizing and the empirical examination of the relationships. More specifically, by directly measuring the legitimacy perceptions of stakeholders (i.e., propriety judgements) and integrating it with the validity judgments of legitimacy through the utilization of category appeal, this dissertation offers valuable insights on how these two processes influence new venture performance.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

While I conducted two different studies in order to draw a more complete and a more encompassing picture of the research questions, this dissertation is not without limitations. First, the experiment in Study 1 could utilize real investors rather than students. This limitation was dealt by recruiting only business school graduate students that have knowledge and experience with business strategy as the sample was limited to those who were graduate students in the business school of a university or at least took some business courses from the business school. This confirmed that the respondents were capable of evaluating a business plan's executive summary. Almost all of the sample (i.e., 320 students) were those studying a masters' degree or a doctoral degree in the business school. Only 8 respondents were from a different school or college, however, they also took business courses. Future research could replicate the experiment with angel investors and the results could be compared to provide a more accurate picture and to validate the results.

Another limitation is the selection of the industry and the technology for the vignettes utilized in the experiment. The selection was purposefully made against selecting a very high-tech or a very low-tech industry. By asking the respondents their perception of the industry (high, low, or average), I confirmed that the vignettes did not reflect extremes (i.e., high or low technology). That allowed for category appeal to vary and differ among respondents. Future study could be conducted to include a high, a low, and a moderate level of technology to compare the results. In addition, the selected technology is an existing technology that I worked on with a team of graduate students to develop a business model and a business plan for. As a member of the team, I ran customer discovery and customer validation interviews, conducted market analysis about the technology and the competitors, developed positioning and strategy, as well as a business plan for the industry. Therefore, the vignettes represented a real-life company which made the experiment more realistic. However, in case the selection of the technology may have limited the generalizability of the study, future research can develop different vignettes with a different technology and replicate the experiment.

Vignette design naturally has some limitations. Some participants reported that the vignettes did not have enough information about the new ventures. This can be a common concern in experimental designs with vignettes (Wilson & While, 1998). This limitation was mitigated by selecting the type of information to include in the vignettes that would be the most relevant and helpful to make inferences to answer the survey items and testing them through a series of pilot studies. In the end, vignettes cannot include all the necessary information as expected by participants (Hughes & Huby, 2012).

Another limitation of the experimental design may be the between-subjects design. While between-subject design has fewer threats of internal validity, it requires a larger sample size to provide high statistical power. In addition, the individual differences among participants may threaten validity. In order to deal with this potential threat, I surveyed 328 participants which was way over the sample size power analysis suggested, the sample was randomly selected, and the vignettes were randomly assigned.

Regarding the Twitter study (Study 2), the model was restricted and did not include legitimacy variables, therefore, the mediation hypotheses were not tested. Since I conducted two studies, the full model was tested in the first study through an experimental design, while the second study tested the main relationships of competitive distinctiveness and institutional conformity with performance as well as the moderating role of conformity. Therefore, I was able to answer the research questions even though the second study did not include the mediators. Future study can develop measures of legitimacy (i.e., pragmatic and normative legitimacy) specifically to measure the perceptions on Twitter. While I focus on the sensegiving mechanisms on Twitter by analyzing the effects of distinctive and conforming language on performance, sensemaking is reflected through the performance outcome which represents the number of likes and retweets. In a way, this measure implies the legitimacy judgements of the stakeholders as by clicking on the like icon or retweeting and sharing the tweet, the users agree with what the new venture had to say, and thus affirmed that it was appropriate. As an alternative, an experiment could be conducted to measure the effects of different tweets on legitimacy perceptions. Through the experiment, category appeal could also be measured as a subjective measure rather than the objective measure used in this study.

Another potential limitation is the sample of the Twitter study. As the sample consisted of the companies that belonged to the fastest growing companies in the US published by Inc5000 in 2019, they are companies that most likely have more resources than average new ventures. To mitigate the potential effects that may be present due to the sample profile, the youngest ventures in the list (i.e., founded in 2014 and 2015) were selected. In addition, the sample was limited to ventures that had tweets in the first year from their founding. This deals with the concerns that these ventures could already have legitimacy and resources to promote their conversations on social media and achieve larger number of followers. In addition, the study controlled for the number of followers, number of those the new ventures followed, number of years appeared in Inc5000 lists, revenue, growth, number of employees, founded year, and the days since founding. However, future research could replicate this study with a different sample and compare the results.

While not a direct limitation for this specific study, the unknown feature of who is a follower and who is a follower's friend that engage with a tweet and like and/or retweet a tweet is a limitation of the Twitter API. Future study could collect more follower related information and compare whether the results changed based on the status of each user who like or retweet a tweet.

Future research can also look into how the feedback effect influences the identity claims and the communication of new ventures. For instance, how do new ventures modify the level of competitive distinctiveness and institutional conformity communicated through their identity claims based on the comments their stakeholders make on Twitter or on other social media platforms. This would provide insights on the dynamic and interactive feature of social media communication.

Scholars can also conduct longitudinal studies following new ventures' communication of their distinctiveness and conformity at different lifecycle stages as well as when entering a new category. Do they modify their identity claims depending on a subsequent category they enter, and how does category appeal influence these decisions and their effects on legitimacy perceptions and performance? These would advance categorization literature by offering insights on how new ventures communicate their distinctive legitimacy depending on the categories they want to operate in.

CONCLUSION

Both competitive distinctiveness and institutional conformity can coexist, and there does not have to be a tradeoff. However, both can be detrimental beyond a threshold. New ventures can achieve pragmatic legitimacy by developing and communicating identity claims of distinctiveness and they can acquire normative legitimacy by creating identity claims of conformity. These relationships are conditional on the appeal of the category the new ventures plan to enter or operate in. In addition, competitive distinctiveness can reduce the effects of institutional conformity on performance as the new ventures begin to age. Furthermore, high distinctiveness and low conformity can be instrumental for positive returns. All of these may have a differential effect at different stages of new ventures' lifecycle as well as the category they belong to. Therefore, rather than a balance between competitive distinctiveness and institutional conformity, their coexistence through legitimate distinctiveness as well distinctive legitimacy should be considered by new ventures for successful outcomes.

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APPENDICES

APPENDIX A: Interview Questions

Questions for Investors

- What is your job title?
- Have you ever invested /made a decision to invest in a new venture?
- How many years of experience do you have in investing/making decisions to invest in new ventures?
- What do you think are the most important characteristics of a new venture while making an investment decision?
- What do you think are the most important characteristics of an entrepreneur while making an investment decision?
- What do you think are the least important characteristics of a new venture while making an investment decision?
- What do you think are the least important characteristics of an entrepreneur while making an investment decision?
- What are the main challenges in making an investment decision about a new venture?
- If you have ever made an investment decision about a new venture, have you reviewed a business plan?
- Tell me about a new venture that you invested in (didn't invest in). or you approved a loan after evaluating a business plan? What happened next?
- What do you care for in a business plan? In your opinion, what aspects of your business makes you invest and not invest in a business plan?
- Do you read the executive summary of a business plan? What are the most important feature(s) of a business plan and the executive summary?
- What do you feel are the least important characteristics of a business plan/executive summary when you make a decision to invest in a new venture?
- In a business plan, what makes you decide not to invest in a new venture?
- If you recall your investment decisions, do you remember a business that failed? If yes, what made you invest in that business? Do you remember any details about the business plan?
- Do you recall a business that you decided not to invest in but became successful? If yes, what make you not to invest in that business? Do you remember any details about the business plan?

Questions for Entrepreneurs

- Do you own or operate a business venture? Yes or No
- What is the zip code of your business venture? (Please enter the zip code which marks the primary geographic location of your business venture: ________)
- What is your role in this venture? ________
- Is this your full-time occupation? Yes/No
- How many entrepreneurial ventures have you started? ________
- How many years have you worked in an entrepreneurial venture (including those you have not started)? ________
- In what year was your current venture started? ________
- What is the business name (e.g., legal name) of your current venture? __________
- What is the website URL for your business (if you have one)? ________
- Please describe the primary services or set of products that you provide. ___________________
- How would you describe the market scope of your current venture?
    - Local
    - Regional
    - National
    - International
- What category would best describe the industry in which your venture participates (for example, retail, or construction)? ________
- Have you requested external funding for new venture? If yes, have you received any external funding for your new venture?
- What do you think are the most important characteristics of a new venture to receive investment?
- What do you think are the most important characteristics of an entrepreneur to receive investment?
- What do you think are the least important characteristics of a new venture to receive investment?
- What do you think are the least important characteristics of an entrepreneur to receive investment?
- What are the main challenges in receiving an investment for a new venture to receive investment?
- Have you ever presented a business plan to ask for external investment? If yes, did you receive any investment?
- Tell me about a time that you have presented a business idea / plan to an investor or a decision maker such as a judge?
- What did the investors require/care for in a business plan when they made a decision to invest in your business? Did your business plan meet those requirements?
- What did the investors require/care for in a business plan when they made a decision to not to invest in your business?
- What do you feel are the most important characteristics of a business plan for investors when they make a decision to invest in a new venture? Or what makes a business plan successful?

- In your opinion, what aspects of your business and business plan helped / did not help you acquire the investment you requested?
- Have you ever written an executive summary of a business plan? What are the most important feature(s) of a business plan and the executive summary?
- What do you feel are the least important characteristics of a business plan/executive summary when they make a decision to invest in your new venture?
- Do you recall a business that your investment request was declined by an investor but your venture became successful? If yes, what do you think made the investor not to invest in your business? Do you remember any details about the business plan?
- What would you change in your business plans and executive summaries if you were to request investment again?

APPENDIX B: Consent Forms

Interviewee Consent Form

School of Entrepreneurship

PARTICIPANT INFORMATION FORM

Legitimate Distinctiveness via Cultural Entrepreneurship in New Ventures

Background Information

You are invited to be in a research study about the effects of new venture business plans and strategies on stakeholder perceptions. We ask that you read this form and ask any questions you may have before agreeing to be in the study. Your participation in this research is voluntary. There is no penalty for refusal to participate, and you are free to withdraw your consent and participation in this project at any time. You can skip any questions that make you uncomfortable and can stop the interview/survey at any time. Your decision whether or not to participate in this study will not affect your employment/grades in school.

This study is being conducted by: Duygu Phillips, School of Entrepreneurship, OSU under the direction of Dr. Matthew Rutherford, School of Entrepreneurship, OSU and Dr. Bryan Edwards, Management Department, OSU.

Procedures

If you agree to be in this study, we would ask you to do the following things: This study involves an interview with the researcher. The interview will either be online (Zoom or Skype) or on telephone. The interview will be recorded (audiotaped). The recordings will be used to get the text transcribed. The interview will be semi-structured including demographic, open-ended questions and some survey items. Investors will be asked questions about how they evaluate business plans when making decisions to invest. Entrepreneurs will be asked questions about how they create their business plans and how the investors respond to their business plans. Participants will also be asked to read the executive summary of new venture business plans and answer related questions about your perceptions. You will answer each question on a scale of 5, from strongly agree to strongly disagree.

Participation in the study involves the following time commitment: The study is expected to take less than 1 hour.

Compensation

You will receive no payment for participating in this study.

Risks
There is a potential risk of breach of confidentiality which is minimized by deleting the recording after the text is transcribed and replacing the names/identifiers with random identifiers.

Confidentiality

The information that you give in the study will be handled confidentially. Your information will be assigned a code number/pseudonym. The list connecting your name to this code will be kept in a locked file. When the study is completed and the data have been analyzed, this list will be destroyed. Your name will not be used in any report. We will collect your information through interviews (online or telephone). The data will be stored on a password-protected computer under the possession of Duygu Phillips (420 General Academic Building), Dr. Matthew Rutherford (463 Business Building), and Dr. Bryan Edwards (395 Business Building). When the study is completed and the data have been analyzed, the code list linking names to study numbers will be destroyed. This is expected to occur no later than three months after the interviews are conducted. The audio recording will be transcribed. The recording will be deleted after the transcription is complete and verified. This process should take approximately three months.

Contacts and Questions
The Institutional Review Board (IRB) for the protection of human research participants at Oklahoma State University has reviewed and approved this study. If you have questions about the research study itself, please contact the Principal Investigator at 405-3385375, duygu.phillips@okstate.edu. If you have questions about your rights as a research volunteer or would simply like to speak with someone other than the research team about concerns regarding this study, please contact the IRB at (405) 744-3377 or irb@okstate.edu. All reports or correspondence will be kept confidential.

Statement of Consent
I have read the above information. I have had the opportunity to ask questions and have my questions answered. I consent to participate in the study.

If you agree to participate in this research, please check I Agree.
_______ I agree.
_______ I don't agree.

I give consent to be audio recorded during this study.
___Yes ___No

I give consent for my data to be used in future research studies.
___Yes ___No

I give consent to be contacted for follow-up in this study or future similar studies.
___Yes ___No

Survey Participation Consent Form

School of Entrepreneurship

PARTICIPANT INFORMATION FORM

Legitimate Distinctiveness via Cultural Entrepreneurship in New Ventures

Background Information

You are invited to be in a research study about the effects of new venture business plans on stakeholder perceptions. We ask that you read this form and ask any questions you may have before agreeing to be in the study. Your participation in this research is voluntary. There is no penalty for refusal to participate, and you are free to withdraw your consent and participation in this project at any time. You can skip any questions that make you uncomfortable and can stop the interview/survey at any time. Your decision whether or not to participate in this study will not affect your grades in school.

This study is being conducted by: Duygu Phillips, School of Entrepreneurship, OSU under the direction of Dr. Matthew Rutherford, School of Entrepreneurship, OSU and Dr. Bryan Edwards, Management Department, OSU.

Procedures

If you agree to be in this study, we would ask you to do the following things: You will be asked to read the summary of a new venture business plan and answer related questions about your perceptions. You will answer each question on a scale of 7, from strongly agree to strongly disagree. You will also be asked some demographic questions.

Participation in the study involves the following time commitment: The study is expected to take less than 30 minutes.

Compensation

You will receive 1% course credit as compensation for your participation to this study. The alternative assignment consists of reading a research article from a business journal and answering the four questions. This assignment will be available to earn the same amount of course credit for those that do not wish to participate in this study. To receive course credit send an e-mail including your name, course name, and the completion code to duygu.phillips@okstate.edu.

You have a chance to enter a drawing for a prize of $50 upon completing the survey. To enter the drawing, you need to send an e-mail including your name and the completion code you will see at the end of the survey to duygu.phillips@okstate.edu. The winner(s) will be drawn once the survey is finalized, no later than July 2021. The winner(s) will be contacted via email. Each participant can enter the drawing only once.

Risks

There is a potential risk of breach of confidentiality which is minimized by storing the information anonymously.

Confidentiality
The information you give in the study will be stored anonymously. This means that your name will not be collected or linked to the data in any way. Only the researchers will know that you have participated in the study. The researchers will not be able to remove your data from the dataset once your participation is complete.

We will collect your information through online surveys. The data will be stored on a password-protected computer under the possession of Duygu Phillips (420 General Academic Building), Dr. Matthew Rutherford (463 Business Building), and Dr. Bryan Edwards (395 Business Building). Only the professor that gives the credit will have access to identifiers, the researchers will not collect the name of the respondents. The names and email addresses collected for the drawing will be deleted after the drawing is done.

The research team works to ensure confidentiality to the degree permitted by technology. It is possible, although unlikely, that unauthorized individuals could gain access to your responses because you are responding online. However, your participation in this online survey involves risks similar to a person's everyday use of the internet. If you have concerns, you should consult the survey provider privacy policy at https://www.qualtrics.com/privacy-statement/.

Contacts and Questions
The Institutional Review Board (IRB) for the protection of human research participants at Oklahoma State University has reviewed and approved this study. If you have questions about the research study itself, please contact the Principal Investigator at 405-3385375, duygu.phillips@okstate.edu. If you have questions about your rights as a research volunteer or would simply like to speak with someone other than the research team about concerns regarding this study, please contact the IRB at (405) 744-3377 or irb@okstate.edu. All reports or correspondence will be kept confidential.

Statement of Consent
I have read the above information. I have had the opportunity to ask questions and have my questions answered. I consent to participate in the study.

I give consent for my data to be used in future research studies:

If you agree to participate in this research, please click I Agree to continue.

APPENDIX C: Pilot Study

TABLE C1. Vignettes from Pilot Studies 2a and 2b

	Pilot Study 2a
Vignette 1: HD-HC	Hepa-Cera is a startup company manufacturing HEPA filters made of ceramic material. In today's world with new regulation laws coming up, healthcare, food, and chemical industries have to spend a huge amount of money on HEPA filtration systems. The filters available in the market have to be changed regularly, about every 3 months to 2 years depending on the industry and effectiveness. Replacement is very costly since it means buying new filter Our filters are one of a kind because they are made of ceramic material which makes them much more durable, offering 5 times longer lifespan than the existing HEPA filters. In addition, our filters are designed to stand high temperature and corrosive environments, giving them great leverage over other HEPA filters. Longer life span will help companies reduce up to 60% of their filtration costs. Our R&D and managing team have over 30 years of experience which will help make this unique product become a market leader. Currently, our product is unique in the market; even major air filter companies like ASF, Donarcson and Nipson do not offer any comparable product. We have already talked to many companies from various industries, and we know there is a demand in the market for our ceramic HEPA filters. We offer 24/7 support to our customers. We will offer standard size and custom-made filters, ranging from $1,500 to $2,000 per unit with financing options available. Our technology was developed at Provia National Laboratories. Provia has an extensive background and experience with development of filtration systems. Our technology is already approved and patented. Our certified products comply with the new regulations in the healthcare, food, and chemical industries. Our products are environmentally friendly. We care about society and the well-being of our employees. We will target mainly the healthcare industry, then expand into food and chemical industries. We have identified our manufacturer in China. We are looking for an investment of $300,000 for 20% equity. We project to make $8 million in profit by the end of year 5, which will create 28% return on investment.

Vignette 2: HD-LC	Hepa-Cera is a startup company manufacturing HEPA filters made of ceramic material. In today's world with new regulation laws coming up, healthcare, food, and chemical industries have to spend a huge amount of money on HEPA filtration systems. The filters available in the market have to be changed regularly, about every 3 months to 2 years depending on the industry and effectiveness. Replacement is very costly since it means buying new filters and manpower. Replacement also causes downtime, as well as high waste disposal costs. Our filters are one of a kind because they are made of ceramic material which makes them much more durable, offering 5 times longer lifespan than the existing HEPA filters. In addition, our filters are designed to stand high temperature and corrosive environments, giving them great leverage over other HEPA filters. Longer life span will help companies reduce up to 60% of their filtration costs. Our R&D and managing team have over 30 years of experience which will help make this unique product become a market leader. Currently, our product is unique in the market; even major air filter companies like ASF, Donarcson and Nipson do not offer any comparable product. We have already talked to many companies from various industries, and we know there is a demand in the market for our ceramic HEPA filters. We offer 24/7 support to our customers. We will offer standard size and custom-made filters, ranging from $1,500 to $2,000 per unit with financing options available. We will target mainly the healthcare industry, then expand into food and chemical industries. We have identified our manufacturer in China. We are looking for an investment of $300,000 for 20% equity. We project to make $8 million in profit by the end of year 5, which will create 28% return on investment.
Vignette 3: LD-LC	Hepa-Cera is a startup company manufacturing HEPA filters made of ceramic material. In today's world with new regulation laws coming up, healthcare, food, and chemical industries have to spend a huge amount of money on HEPA filtration systems. The filters available in the market have to be changed regularly, about every 3 months to 2 years depending on the industry and effectiveness. Replacement is very costly since it means buying new filters and manpower. Replacement also causes downtime, as well as high waste disposal costs. We will target mainly the healthcare industry, then expand into food and chemical industries. We have identified our manufacturer in China. We are looking for an investment of $300,000 for 20% equity. We project to make $8 million in profit by the end of year 5, which will create 28% return on investment.

Vignette 4: LD-HC	Hepa-Cera is a startup company manufacturing HEPA filters made of ceramic material. In today's world with new regulation laws coming up, healthcare, food, and chemical industries have to spend a huge amount of money on HEPA filtration systems. The filters that are available in the market have to be changed regularly, about every 3 months to 2 years depending on the industry and effectiveness. Replacement is very costly since it means buying new filters and manpower. Replacement also causes downtime, as well as high waste disposal costs. Our technology was developed at Provia National Laboratories. Provia has an extensive background and experience with development of filtration systems. Our technology is already approved and patented. Our certified products comply with the new regulations in the healthcare, food, and chemical industries. Our products are environmentally friendly. We care about society and the well-being of our employees. We will target mainly the healthcare industry, then expand into food and chemical industries. We have identified our manufacturer in China. We are looking for an investment of $300,000 for 20% equity. We project to make 8$ million in profit by the end of year 5, which will create 28% return on investment.

Pilot Study 2b	
Vignette 1: HD-HC	In today's world, companies have to spend a huge amount of money on filtration systems. Currently, most filters are made of plastic. The filters available in the market have to be changed regularly, about every 3 months. Replacement is very costly since it means buying new filters and manpower. H-Cera is an innovative startup company manufacturing HEPA filters made of ceramic material. Our filters are one of a kind because they are made of ceramic material which makes them much more durable, offering 5 times longer lifespan than the existing HEPA filters. In addition, our filters are designed to stand high temperature and corrosive environments, giving them great leverage over other HEPA filters. Longer life span will help companies reduce up to 60% of their filtration costs. Our R&D and managing team have over 30 years of experience which will help make this unique product become a market leader. Currently, our product is unique in the market; even major air filter companies like ASF, Donarcson and Nipson do not offer any comparable product. We have already talked to many companies from various industries, and we know there is a demand in the market for our ceramic HEPA filters. We understand their needs and we offer better products than our competitors in the market. We provide 24/7 support to our customers in a friendly atmosphere. We offer standard size and custom-made filters, with financing options available. Our technology was developed at Provia National Laboratories. Provia has an extensive background and experience with development of filtration systems. Our technology is already approved, and patented. We follow government regulations closely and we meet the industry standards. Our certified products comply with the new regulations in the healthcare, food, and chemical industries. Our products are environmentally friendly. We care about society and the well-being of our employees. We have an enjoyable workplace and we provide many benefits to our employees. We conform to the laws, rules, and expectations of the society and the institutions. We are looking for an investment in return for equity.

Vignette 2: HD-LC	In today's world, companies have to spend a huge amount of money on filtration systems. Currently, most filters are made of plastic. The filters available in the market have to be changed regularly, about every 3 months. Replacement is very costly since it means buying new filters and manpower. H-Cera is an innovative startup company manufacturing HEPA filters made of ceramic material. Our filters are one of a kind because they are made of ceramic material which makes them much more durable, offering 5 times longer lifespan than the existing HEPA filters. In addition, our filters are designed to stand high temperature and corrosive environments, giving them great leverage over other HEPA filters. Longer life span will help companies reduce up to 60% of their filtration costs. Our technology is already approved. Our R&D and managing team have over 30 years of experience which will help make this unique product become a market leader. Currently, our product is unique in the market; even major air filter companies like ASF, Donarcson and Nipson do not offer any comparable product. We have already talked to many companies from various industries, and we know there is a demand in the market for our ceramic HEPA filters. We understand their needs and we offer better products than our competitors in the market. We provide 24/7 support to our customers in a friendly atmosphere. We will offer standard size and custom-made filters, with financing options available. We are looking for an investment in return for equity.
Vignette 3: LD-LC	In today's world, companies have to spend a huge amount of money on filtration systems. Currently, most filters are made of plastic. The filters available in the market have to be changed regularly, about every 3 months. H-Cera is a startup company manufacturing ceramic HEPA filters. Our technology is already approved We are looking for an investment in return for equity.
Vignette 4: LD-HC	In today's world, companies have to spend a huge amount of money on filtration systems. Currently, most filters are made of plastic. The filters available in the market have to be changed regularly, about every 3 months. H-Cera is a startup company manufacturing ceramic HEPA filters. Our technology was developed at Provia National Laboratories. Provia has an extensive background and experience with development of filtration systems. Our technology is already approved, and patented. We follow government regulations closely and we meet the industry standards. Our certified products comply with the new regulations in the healthcare, food, and chemical industries. Our products are environmentally friendly. We care about society and the well-being of our employees. We have an enjoyable workplace and we provide many benefits to our employees. We conform to the laws, rules, and expectations of the society and the institutions. We are looking for an investment in return for equity.

APPENDIX D: Dictionary

Table D1. Specific Factor Error Test After Dictionary Updates

	Old Dictionary	**Spearman-Brown**	**Means Error Variance (1-Reliability)*100**	**Means Error Variance (Spearman)**	**New Dictionary**	**Spearman-Brown**	**Means Error Variance (1-Reliability)*100**	**Means Error Variance (Spearman)**
Pragmatic Manual Dictionary	.244	.524	75.6	47.7	.584	.827	41.6	17.3
Moral Manual Dictionary	.505	.729	49.5	27.4	.511	.807	48.9	19.2

Source: Phillips et al. (working paper)

Table D2. Correlations Between Human and Software Coding (Before and After Dictionary Updates)

	1	**2**	**3**	**4**
1. Pragmatic Manual				
2. Moral Manual	0.070			
3. Pragmatic Software	0.355***	0.064		
4. Moral Software	-0.019	0.573**	0.039	
5. Pragmatic Updated	0.705**	0.020	0.595**	0.019
6. Moral Updated	-0.056	0.677**	0.039	0.650

N = 350, $^{\dagger}p < 0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Source: Phillips et al. (working paper)

Table D3. Evidence of Language Representing Language Categories in Tweets of Firms in Inv500 and Mergent Sample

	Inc500 Sample					Mergent Intellect Sample				
	N	Mean	*SD*	*t*	*p*	*N*	Mean	*SD*	*t*	*p*
Pragmatic	41,324	6.31	5.63	227.856	**	2,588	4.96	5.37	47.019	**
Moral	41,324	0.86	2.15	80.995	**	2,588	0.59	2.17	13.959	***
Cognitive	41,324	4.63	5.16	182.401	**	2,588	1.36	2.95	23.469	***

Note: The results of this table were based on computer-aided text analysis using the word lists for legitimacy dictionaries presented in Table 1. $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Table D4. ANOVA Comparisons of Inc500 to Mergent Firms on Legitimacy Categories

Categories	Inc500 Sample (N = 2,588)	Mergent Sample (N = 2,588)	*F* Test
Pragmatic	6.26	5.33	25.869***
Moral	1.56	0.63	147.285***
Cognitive	3.37	0.65	589.662***

Note: ANOVA = analysis of variance. The results of this table were based on computer-aided text analysis using the word lists for legitimacy dictionaries presented in Table 1. $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$
Source: Phillips et al. (working paper)

Table D5. Word List

Distinctiveness Language

abate, abated, abatement, abates, abating, abilities, ability, able, abler, ablest, above, access, accessible, accomplish, accomplished, accomplishes, accomplishing, accomplishment, accomplishments, accuracy, accurate, accurately, ace, achievable, achieve, achieved, achievement, achieves, achieving, acquire, acquired, acquirement, acquires, acquiring, acquisition, acquisitions, action, actionable, activate, activated, activates, activating, active, actualize, actually, add , added, adding, additional, adds, adept, adeptness, adroit, adroitness, advance, advanced, advancement, advances, advancing, advantage, advantaged, advantageous, advantages, afford, agile, aids, all across, all over, ambitious, ambitiously, ambitiousness, amplify, answer, answered, answering, answers, anytime, anywhere, applied, applies, apply, applying, appraisal, appraise, appraised, appraises, appraising, apprenticeships, apt, aptitude, aptitudes, aptness, arrange, arranged, arranges, artistic, asap, asset, assist, assistance, assisted, assisting, assists, astute, athletic, attain, attainable, attained, attaining, attainment, attainments, attains, attract, attracted, attracting, attractive, attracts, attribute, attributes, augment, authoritarian, authoritative, award, awarded, awarding, awards, awesome, back up, backed up , backing up, backs up , backup, backups, balance, bargain, bargained, bargaining, bargains, basic, basics, beat, beating, beats, beautiful, beneficial, benefit, benefited, benefiting, benefits, best, best in class, best interest, better, bettering, betterment, big, biggest, billion, bold, boldest, bonus, boon, boost, boosted, boosting, boosts, bounteous, bountiful, bounty, braver, bravest, bright, brighten, brightened, brightening, brightens, brightest, brilliance, brilliant, businesslike, buzz, calculate, calculated, calculates, calculating, calculations, capabilities, capability, capable, capableness, capacity, capital, central, champ, champion, cheaper, cheapest, choices, choose, chosen, clean, cogent, comfortable, commission, commissions, compensate, compensated, compensates, compensating, compete, competed, competence, competency, competent, competes, competing, comprehensive, conducive, connect, consistent, contribute, contributed, contributes, contributive, convenience, convenient, conveniently, cost, cost-benefit, cost-effective, costly, costs, create, created, creates, creating, creation, creations, creative, creativity, crucial, custom, cuter, cutest, dandier, dandiest, deal, dealing, deals, dealt, defter, deftest, deftness, deliver, delivered, delivering, delivers, demand, demanded, demanding, demands, derivate, derivative, derivatives, dexterity, difference, different, discount, discounted, discounts, distinct, distinction, distinctly, dividend, dividends, doable, drier, driest, dynamic, earn, earned, earning, earnings, earns, easier, easily, easy, economic, effect, effected, effecting, effective, effectively, effectiveness, effects, effectual, efficacious, efficacy, efficiencies, efficiency, efficient, efficiently, effort, efforts, enable, enables, endowment, endowments, energize, energized, energizing, enhance, enjoy, enjoyed, enjoying, exceeding, excel, excellent, exceptional, exceptionality, excess, exchange, exchanged, exchanges, exchanging, excite, excited, excites, exciting, exclusive, exclusively, execute, exemplar, exemplars, exemplary, exigency, expected value, expedient, expense, expenses, expensive, experienced, experiential, expert, expertness, extensive, extra, extraordinary, extras, fabulous, facilitate, facilitated, facilitates, facilitating, fact, facts, faculties, fantastic, farther, farthest, fast, faster, fastest, fastest-growing, fave, favor, favorable, favored, favoring, favorite, favorites, favors, feasible, feature, features, financial, fine, finer, finest, finishing, first, first and foremost, first class, first order, first rate, first-class, first-order, first-rate, fit, fits, fitted, fitter, fittest, fitting, fix, fixed, fixes, fixing, flash sale, flex, flexibility, flexible, focus, focused, force, forced, forces, forcing, fortified, fortifies, fortify, fortifying, fortune, fresh, fresher, freshest, fruitful, fruition, fulfill, fulfillment, full, fuller, fullest, fully, fun, functional, fundamental, funds, funner, funnest, funnier, funniest, furnish, further, furthest, gain, gainful, game changer, garner, genius, genuine, giant, gift, gifted, giftedly, gifts, give away, giveaway, giving, giving away, goals, good, good buy, good choice, good deal, good for, good looking, good time, good value, grand, grander, grandest, grant, grants, gratify, gravy, great, great job, great news, great one, great opportunity, great way, greater, greatest, greatness, greater things, grow, growing, growth, handier, handiest, handsomer, handsomest, handy, hang tough, happy, hard-nosed, hardwork, harvest, have your best interest, healthier, healthiest, healthy, heighten, help, high, high class, high performance, high rank, high-class, high-handed, high-quality, high-ranking, higher, higher-up, highest, highness, hire, hired, hires, hiring, hot, huge, huger, hugest, hyper, immense, implement, implementing, importance, important, impressive, improve, improved, improvement, improves, improving, in action, in excess of, in practice, in surplus of, incentive, incentives, inclination, income, incomparability, incomparable, incomparably, increase, increased, increases, increasing, incredible, increment, indulge, indulged, indulges, indulging, inexpensive, infallible, ingenuity, inimitable, inimitably, innovation, innovators, insights, instrumental, intelligence, intensify, interest, interesting, interests, introduce, introduced, introduces, introducing, inventions, invest, invested, investing, investment, invests, keener, keenest, key, kind, kindness, knack, know-how, knowledge, larger, latest, lead, leader, leaders, leading, leads, legendary, lessen, lessened, lessening, lessens, levelheaded, leverage, leveraging, levy, lifestyle, lift, lifted, lifting, lifts, lighter, limited time, littler, littlest, long-term, longer, longest, looser, loosest, louder, loudest, lovelier, loveliest, lovely, low price, lower, lowest, lowest price, luckier, luckiest, lucky, lucrative, magical, majority, markdown, market price, master hand, masterful, masterly, mastery, matchless, matchlessly, matchlessness, matter-of-fact, maximize, million, millions, mitigate, mitigated, mitigates, mitigating, modern, monetary worth, money, more, more than, multiplied, multiplies, multiply, multiplying, network, networked model, new, new look, no-nonsense, nominal, nontraditional, number 1, number one, nuts and bolts, objective, objectively, obtain, obtainable, of assistance, of service, of use, offer, offered, offering, offers, older, oldest, one click, onward, operate, operated, operates, operation, operations, operative, opportune, opportunities, opportunity, optimization, optimize, option, options, outdo, outdoer, outdoers, outdoing, outrank, outranked, outranking, outranks, outstripped, outstanding, outstandingly, outstrip, outstripping, overpower, paid, pamper, pampered, pampering, pampers, pay, paying, paying well, payment, payments, pays, pays off, peak, perfect, perfection, performance, performing, perk, perks, personal, personalize, perspicacious, plainspoken, plan, pleasure, plus, plusher, plushest, polished, posh, posher, poshest, positive, potency, potential, potentiality, power, powered, powerful, powerfully, practicable, practical, pragmatic, pragmatical, praise, precautions, premium, premiums, prettier, prettiest, pretty, price, price tag, priced, prices, pricing, primary, prime, princelier, princeliest, private, prize, prizes, proactive, proactively, proclivity, procure, procurement, produce, produced, produces, producing, productive, productivity, proffer, proffered, proffering, proffers, proficient, proficiently, profit, profitable, profited, profiting, profits, promo, promote, promoted, promotes, promoting, promotion, promotions, propensity, propitious, prosperity, provide, provided, provides, providing, provision, provisional, provisions, proximal, purchase, purchased, purchases, purchasing, purest, purified, purpose, purposeful, purposive, pushing, put on the map, qualification, qualified, quality, quick, quicker, quickest, quickly, quieter, quietest, quietly, raffle, rapid, rapidly, rare, rarer, rarest, readiness, ready, real-time, rebates, recover, recovered, recovering, recovers, reduce, reduced, reduces, reducing, reduction, reductions, refund, refunds, relaxed, relevance, relevancy, relevant, relief, remunerative, renewable, resolute, resolve, resource, resourceful, resourcefulness, resources, restore, resulted, resulting, results, return, return on investment, returned, returning, returns, reusable, revenue, revenues, reward, rewarded, rewarding, rewards, rich, richer, riches, richest, right away, rise, rival, robust, rocking out, ROI, rougher, roughest, safe, safer, safest, safety, salaries, salary, sale, sales, salutary, satisfaction, satisfied, save, scarcer, scarcest, scoring, seamlessly, secure, secured, securely, securing, security, self-interest, self-interested, self-regarding, self-sustaining, sell, selling, sells, serve, served, serves, serviceable, serviced, servicing, serving, set forth, shareholder, shares, sharing, sharp, sharper, sharpest, sheerer, sheerest, shops, short-seller, shrewder, shrewdest, significant, significantly, simple, simpler, simplify, simply, skill, skilled, skillfulness, skills, sleek, slick, smarter, smartness, sober, sober-minded, sold, solid, solution, solutions, solve, solved, solves, solving, sounder, soundest, special, spending, spends, stand out, standout, stars, stock, stocks, strategies, strategy, strength, strengthen, strengths, stress-free, striking, strong, strong point, stronger, style, stylish, succeed, succeed in, succeeded, succeeding, succeeds, success, successful, successfully, sufficiency, sufficient, superb, superior, superlativeness, superlatively, supplies, support, supremacy, supreme, supremely, supremeness, sure, surge, surpass, surpassing, surplus, survive, survived, survives, surviving, sustain, sustained, sustaining, sustains, sweeter, sweetest, symbiotic, sympathetic, systematic, tactical, tactics, take action, talent, talents, taller, tallest, tangible, tangibles, tastier, tastiest, tasty, the best, the only, the right, thinnest, thrift, thriftier, thriftiest, thrifty, tight, timely, tips, tool, tools, top, top billing, top dollar, top shelf, top-shelf, topfull, topmost, topnotch, tough nut, tough-nut, tougher, toughest, toward, trade, traded, trades, trading, traditional, transact, transacted, transacting, transaction, transactions, transacts, transcending, transformation, transformed, trend, trends, trickier, trickiest, tricky, triumph, TRUE, truer, truest, trying, ultimate, underdog, unification, unique, uniqueness, upbeat, update, updated, upgrade, upgradable, urge, usable, useful, user-friendly, utilitarian, utilities, utility, utmost, valor, valuable, valuate, valuation, value, values, variety, vast, vaster, vastest, very excited about, very own, victory, VIP, warm, warmer, warranty, wealth, wealthier, wealthiest, wealthy, well-being, well-known, well-paying, wider, widest, win, win-win, winners, winning, winnings, wins, wise, won, workable, world-class, worth, worthwhile, worthy

Conformity Language

abide, abided, abides, abiding, accede, accept, acceptance, accepted, accepting, accepts, acclaim, acclaimed, accommodate, accommodates, accommodating, accordance, accordant, accords, accustom, accustomed, acknowledge, acknowledged, acknowledges, acknowledging, adapt, adequacy, adequate, adequation, admirable, admiration, admire, admired, admires, admiring, admissible, adopt, adore, adored, adores, advice, advisable, advise, advised, advises, advocacy, advocate, advocates, affect, affected, affecting, affects, affirm, affirmation, affirmative, affirmed, affirming, agree, agree to, agreeable, agreeably, agreed, agreeing, agreement, agrees, aid, allow, allowable, allowed, allowing, allows, altruistic, amenable, amiable, amicable, appreciate, appreciated, appreciates, appreciating, appreciation, approachable, approbation, appropriate, appropriateness, approval, approve, approved, approves, approving, assurance, assuredness, axiom, balance, balanced, balancing, be in line with, befitting, belief, believable, believe, believed, believing, benefaction, beneficent, benevolence, benevolent, benignant, big-hearted, bless, blessed, blessing, broadminded, calm, calmer, calmest, canon, canonical, care, care for, cared, cares, caring, caution, certainty, charitable, charities, civil, clemency, coequality, collaborate, collaborated, collaborates, collaborating, collaboration, collective, comfort, comforted, comforting, comforts, commendable, commitment, commonplace, commonsense, commonsensical, community, compassionate, compatible, compatibly, compliance, compliantly, comply, compromise, compromised, compromises, compromising, concede, conceded, concedes, conceding, concord, concordance, concordant, concur, concurred, concurrence, concurring, concurs, confirm, confirmed, confirming, confirms, conform, conform to, conformable, conformably, conformation, conformed, conforming, conformity, conforms, congruence, congruous, conscientious, conscious, consciously, consensus, consent, consenting, conserve, considerate, consistently, consonance, constancy, consulting, conventional, cooperate, cooperated, cooperates, cooperating, cooperation, cooperations, cooperative, cordial, correct, correctly, correctness, correspond, corresponded, corresponding, correspondingly, corresponds, courteous, covenant, credence, credibility, credible, cultural, cultural belief, cultural values, culture, customary, decency, decent, decorous, defended, deferential, dependable, deserving, desirable, desired, dignity, disposed, doctrinal, doing right, embrace, embraced, embraces, embracing, endorse, endorsed, endorsement, endorsements, endorsing, ensuring, envisage, envisaged, envisages, envisaging, envision, envisioning, equality, equitability, equitable, espousing, esteem, esteemed, estimable, ethical, ethics, even-handedness, evenhanded, fair, fairer, fairest, faith, faithfulness, familiar, fidelity, fit, fitting, friendlier, friendliest, friendly, generous, gentle, genuine, giving, go along with, good character, good faith, good taste, good-faith, goodness, gracefully, gracious, graciousness, grant, grateful, gratify, gratitude, green operations, green thinking, guidance, harmonize, harmony, heedfulness, help, helped, helper, helpful, helping, helping hand, helps, hold dear, hold in high esteem, honest, honesty, honor, honorable, honored, hope, humane, humanitarian, humanitarianism, humanity, humble, humbler, humblest, ideal, ideals, in accordance, in agreement, incorruptible, infer, inspiration, integrity, intuition, intuitions, judicious, justice, justifiable, justified, justifies, justify, justifying, justness, kind, kind-hearted, kindly, kindness, kosher, laud, laudable, lawful, lawfulness, lenient, licit, logical, loving, loyal, loyalty, mannerly, match, merciful, merit, meticulousness, mindful, mindfulness, ministration, modest, moral, morality, morally, morals, mourning, nicest, nobility, noble, noble-minded, nonprejudiced, norm, normal, normalizing, normative, normatively, nourish, nourished, nourishes, nourishing, nurse, nurture, obey, obeyed, obeying, obeys, objectively, officially, ordinance, ordinary, orthodox, par, paradigm, paradigms, parity, permissible, petition, pitying, popular, praise, praiseworthy, precedent, preeminent, prevailing, prevention, principle, principled, probity, procedural, procedure, procedures, professional, promise, proof, proper, properly, prophetic, propriety, protect, protection, proud, prouder, proudest, proudly, prove, prudence, prudent, rapport, reachable, reasonable, reassurance, rectitude, regardful, regularizing, regulating, regulation, regulative, reliable, reliance, renown, reputability, reputable, reputation, repute, respect, respectability, respectable, respected, respecting, respects, responsibility, responsive, responsiveness, revere, revered, reverence, reveres, revering, right, right and proper, right thing to do, righteous, rightful, rightfulness, rightness, rule, safeguard, safekeeping, sagacious, sameness, satisfied, satisfies, satisfy, satisfying, secureness, seemliness, seemly, sensible, sensitivity, share values, shared, shelter, shield, similarity, similitude, sincere, sociable, social, social benefit, social group, social norms, social standing, socially, socially accepted, socially constructed, societal welfare, society, sociotropic, sound practices, sponsorship, standard, standardize, standardized, standardizing, submit to, suit, suitable, suited, support, supported, supporting, supportive, supports, sureness, sustain, sympathetic, sympathy, temperate, thankful, the right, think alike, thoughtful, truer, truest, trust, trusted, trustworthy, trusty, truthful, truthfulness, unbiased, uncorrupt, uncorrupted, understand, unerring, uniformity, unison, unity, universal, unprejudiced, unpretentious, upright, uprightness, utopia, value system, valued ends, venerate, veridical, verified, verify, virtue, virtuous, ward, watchfulness, welfare, well-being, wisdom, wise, wisely, wiser, wisest, worthy, worthy of support

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