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THE ROAD TO LEGITIMACY: A STUDY OF STARTUPS AND THEIR ESTABLISHED COMPETITORS IN THE AUSTRALIAN WINE INDUSTRY (SUMMARY)

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SUMMARY

THE ROAD TO LEGITIMACY: A STUDY OF STARTUPS AND THEIR ESTABLISHED COMPETITORS IN THE AUSTRALIAN WINE INDUSTRY

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Principal Topic

A barrier to startup success is the liability of newness. One strategy to overcome this obstacle is through gaining venture legitimacy. Legitimacy is defined as acceptance, suitability, and appeal of the startup as judged by external and internal stakeholders such as the marketplace, industry competitors, and employees. Through attainment of legitimacy, a startup now has increased opportunities to access resources required for survival and growth. Drawing from institutional theory, a startup should heed external institutional forces and adapt to isomorphic pressures to gain legitimacy in an industry. Alternatively, a resource-based view perspective suggests that internal coordination and marshaling of resources will lead a startup to not only survive, but to a competitive advantage. Hence, the following research questions are proposed: 1) What external strategies (e.g., mimetic behaviors) and internal strategies (e.g., innovation) can startups employ to gain legitimacy? and 2) What roles do external stakeholders (e.g., government) and internal stakeholders (e.g., human capital) play in enabling or constraining startups to obtain and to maintain legitimacy?

Method

Case and survey research methods were employed to study the research questions. The sample consisted of nine startup and three established Australian wineries from eight different regions. The wineries were selected based on financial success, external accolades, and recommendations from other winery owners. Data collection consisted of: 1) a single semi-structured interview lasting approximately one hour with a single or multiple owners; 2) field research notes; and 3) validation questionnaire.

Results and Implications

The findings suggest that startup wineries are able to attain legitimacy through both external and internal sources. For both startup and established ventures, strong internal startup resources, such as formal or informal family support, staff and innovative practices, are more prevalent in our sample than reliance on external stakeholders in surviving and creating a competitive advantage. Theoretical extensions from this study include: 1) a greater understanding of legitimizing strategies; and 2) startups rely to a greater extent on internal than external sources, but both are used to gain legitimacy, suggesting that institutional and resource-based view theories are complementary in startups.

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