ATTAINING NEW VENTURE LEGITIMACY: A REVIEW AND RESEARCH AGENDA (INTERACTIVE PAPER)

Brian Nagy
Bradley University, USA

Franz Lohrke
Samford University, USA, ftlohrke@samford.edu

Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol28/iss10/5

This Interactive Paper is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized administrator of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.
Principal Topic

Entrepreneurs face daunting odds when forming new ventures (NVs) because they often have difficulty convincing potential resource providers to provide resources to their NVs. These “liability of newness” (LoN) challenges must be overcome, however, to increase the probability of NV success.

To improve survival chances, NVs must quickly attain legitimacy, defined as favorable judgments of acceptance, appropriateness, and worthiness made about individuals or firms. Research has posited that attaining legitimacy facilitates NV survival by providing firms access to resources such as capital, employees, and customers. Thus, determining how NVs obtain legitimacy has long been a central issue in entrepreneurship research. Extant studies have examined how firms obtain legitimacy employing myriad theories. Although this cumulative research has advanced the field, it has also resulted in a somewhat fragmented literature spanning macro- and firm-level issues. Given, however, that entrepreneurship research examines the intersection between environmental opportunities and individual entrepreneurs, additional theoretical development examining entrepreneur-level issues (e.g., behaviors) promoting legitimacy appears warranted.

Method

To examine these issues, we first review LoN research and examine three approaches to legitimacy attainment frequently employed in extant research (i.e., institutional, strategic, and social), reviewing how each has been employed, often in isolation from the other perspectives, to examine LoN issues. We then suggest that important insights can be gained by examining how entrepreneurs’ impression management behaviors (e.g., self-promotion and ingratiation) exhibited early in relationships with resource providers may help build NV legitimacy and, in turn, overcome a firm’s LoN. We conclude by suggesting future research directions.

Results and Implications

All three perspectives employed, to date, partially explain how NVs can overcome LoN issues by attaining legitimacy. We suggest, however, that additional insights can be obtained by incorporating a more entrepreneur-level focus into studies examining legitimacy attainment. Thus, to guide future research, we draw from individual-level research areas and examine the value of an entrepreneur’s behavioral tactics available for use during initial contacts with resource providers which help accentuate interpersonal trust, and in turn, insight NV legitimacy. By comparing contexts that have provided fruitful areas for impression management inquiries with the NV context, we will demonstrate a potential void in the entrepreneurship literature that provides new avenues for theoretical and empirical work.

CONTACT: Franz Lohrke; flohrke@samford.edu; (T): 205-726-2373; Brock School of Business, Samford University, Birmingham, AL, 35229, USA.