LANDING GEAR, LETTUCE, BOUQUETS AND HOME HEALTH AIDES: EVERYDAY NEGOTIATIONS IN THE NEW VENTURE PURSUIT OF LEGITIMACY (INTERACTIVE PAPER)

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Problem Statement

Legitimacy is essential to the survival of new firms. In this research I empirically test how organizational actors negotiate interpersonal relationships, institutional constraints and resource limitations to achieve legitimacy. The critical question is: How do entrepreneurs define and work towards accomplishing legitimacy, given limitations of social, human and financial capital? In an effort to answer this research question, I am engaged in a year-long participant observation research in four small businesses: an aerospace factory, an organic farm, a florist, and a home health aide placement center. Each of these businesses is an exemplar of different “categories” of small businesses, distinguished by their business ownership structures (multiple family member ownership, franchisee owner, etc.), customer base (other businesses or customers) and business objectives (for-profit or not-for-profit).

Findings to Date and Further Questions

What I have found thus far is that legitimacy is: 1. understood by business owners/employees as a combination of written and circulated industry standards (pragmatic legitimacy), 2. believed to describe appropriate relationships with customers (moral legitimacy), and 3. considered to be perceptions of what a business should be, based upon prior business experience and formal educational training (cognitive legitimacy). This story becomes more complex, as each of these forms of legitimacy will be further investigated as a set of entrepreneurial strategies for accomplishing various “phases” of legitimacy: a) establishing, b) maintaining, and c) repairing.

Importance for Entrepreneurship and Practice

In practice, there are evident research implications for public policy, business owners, nascent entrepreneurs, and various business support groups including the SBA and incubators. For example, what sort of skills do entrepreneurs have that make them more effective at achieving legitimacy? I believe that studying daily decision making in new ventures towards the pursuit of legitimacy will help us better understand broader concerns of entrepreneurial success and failure.

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