

6-8-2013

## AFFECT IN THE ASK: EMOTION AS A LEGITIMATING MECHANISM IN INITIAL PUBLIC OFFERINGS (SUMMARY)

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### Recommended Citation

Greidanus, Nathan S. and Akhgari, Mahdi (2013) "AFFECT IN THE ASK: EMOTION AS A LEGITIMATING MECHANISM IN INITIAL PUBLIC OFFERINGS (SUMMARY)," *Frontiers of Entrepreneurship Research*: Vol. 33 : Iss. 3 , Article 5.  
Available at: <https://digitalknowledge.babson.edu/fer/vol33/iss3/5>

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≈ SUMMARY ≈

## AFFECT IN THE ASK: EMOTION AS A LEGITIMATING MECHANISM IN INITIAL PUBLIC OFFERINGS

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### Principal Topic

Creating legitimacy is an important means of gathering resources for new ventures. Although investors often consider venture legitimacy by means of tangible indicators such as profitability, risk analysis, and reputation, there are other factors that create legitimacy by means of emotional attraction, pleasant feeling and guilt reduction. We capture these factors within the concept of hedonic legitimation, a concept that draws on the well-established marketing literature on hedonic and utility values.

### Method

In an effort to further explore the role of emotions in venture funding and to further develop the concept of hedonic legitimation we follow an inductive qualitative design analyzing IPO prospectus filings of 200 firms.

Latent content analysis of S1 filings by multiple coders focused on capturing a number of legitimating techniques. Hedonic related signaling statements conveyed the following values: Creating social values; Conducting charitable activities; Emotional strong bond with Consumer; Conducting Green activities; Maintaining national values; Maintaining and powering cultural values; Following human values.

### Results and Implications

Our preliminary model of legitimacy and new venture funding includes three sources of legitimacy found in the extant literature. *Sociopolitical Regulatory legitimacy* refers to the process by which key stakeholders, the general public, or government officials accept a venture as appropriate and right. *Sociopolitical normative legitimacy* is derived from the norms and values of society or from a level of the normative context relevant to the new venture. *Cognitive legitimacy* refers to the spread of knowledge about a new venture. By creating cognitive legitimacy, a new venture demonstrates that it is acceptable and desirable by implementing methods, models, practices, knowledge, ideas, concepts and so on that are widely accepted in domains in which it operates. Our findings complement and extend these three forms of legitimacy by finding evidence for both instrumental and hedonic legitimation mechanisms used by firms seeking funding through the IPO market. A key implication of hedonic legitimation is that investors support the organization not necessarily because they believe that it provides specific favourable exchanges, but also because they see it as responsible to their larger interests that are connected to feeling and emotions.

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