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YOU CANNOT LIVE OF LOVE ALONE – THE INTERRELATION OF LEGITIMACY EFFORTS AND EFFECTUATION IN NASCENT MARKETS (SUMMARY)

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≈ SUMMARY ≈

**YOU CANNOT LIVE OF LOVE ALONE – THE INTERRELATION OF
LEGITIMACY EFFORTS AND EFFECTUATION IN NASCENT MARKETS**

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Principal Topic

A nascent industry emerges when small numbers of firms begin to develop category-defying products and services based on new technologies or new ideas about consumer demands. In this ambiguous situations entrepreneurs set out to design and evaluate new market offerings and corresponding business models. Institutional theory scholars have argued that due to the low number of firms, the industry lacks legitimacy. Therefore, entrepreneurs in nascent industries may employ symbolic strategies to help legitimate their firms and the industry. The challenges that an entrepreneurial venture faces when engaging in sense-giving activities and gaining legitimacy on firm and industry level have not yet been explored. This paper takes a starting point here by exploring how the gaining of legitimacy of an entrepreneurial firm in a nascent industry affects the development of the firm negatively and how it limits effectual decision-making.

Method

The empirical part of the study follows a qualitative methodology, namely single case study. We view Better Place as an extreme and revelatory case. We collected data on Better Place between 2007 and 2013 through in-depth face-to-face semi-structured interviews. Additionally, we received access to a full set of press releases and collected comprehensive secondary data. The data were subjected to rigorous coding and analysis. Mostly the themes evolved through an inductive, analytic and interpretive inquiry process, going back and forth between the data and the existing literature and between the data and analysis.

Results and Implications

Through our longitudinal case study in the nascent e-mobility industry, we uncover unexpected effects of gaining legitimacy in nascent markets: misunderstanding of stakeholder commitment, overconfidence, and loss of flexibility that affects the firm's ability to act effectual. Our findings illustrate how gaining legitimacy in the industry can hinder entrepreneur's ability to obtain relevant market insights and highlights limits of the dynamic model of effectuation in nascent markets. We finish the paper by offering propositions for the refinement of effectuation and legitimization theory. Additionally, we discuss the business model as a unit of analysis for value assessment by stakeholders and suggest how entrepreneurs can use the business model for integrating various stakeholders' interest.

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