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IMITATION AND DIFFERENTIATION IN THE EMERGENCE OF NEW CATEGORIES: THE CASE OF SEED ACCELERATORS 2005 – 2012

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Abstract

This paper outlines the sources of legitimacy and distinctiveness for entrepreneurial ventures entering an emerging market category, particularly as they balance the tension to be "like" and "different from" their category peers. Using an inductive, mixed methods approach we find that new market category entrants imitate the organizational practices of an early, successful category member (a category prototype) while differentiating themselves with three types of organizational identity claims: (1) niche claims, (2) people claims, and/or (3) resource claims. Additionally, we find that the category prototype's organizational identity and practices influence the collective identity of an emerging market category.

Introduction

Organizations face competing pressures to be both "like" and "different from" their organizational peers (Lounsbury & Glynn, 2001; Navis & Glynn, 2011). New ventures attain organizational legitimacy from their category membership by appearing like other organizations that represent a collective identity for a category (Aldrich & Fiol, 1994; Kennedy, Lo & Lounsbury, 2010; Navis & Glynn, 2010; Wry, Lounsbury & Glynn, 2011). But deviation from other organizations can foster a distinctive organizational identity (Albert & Whetten, 1985) and enhance a venture's competitive advantage and power as it establishes points of unique value (Porter, 1980; Santos & Eisenhardt, 2009). Prior research speaks to the need for new organizations to achieve "legitimate distinctiveness" —balancing compliance with differentiation (Navis & Glynn, 2011). Attaining "legitimate distinctiveness" is challenging for all new ventures, but it is especially challenging for entrepreneurs creating new ventures in an emerging market category (Kennedy, 2008; Kennedy et al, 2010; Navis & Glynn, 2010; Wry, Lounsbury & Glynn, 2011).

Emerging market categories are "business environments in an early stage of formation" (Santos & Eisenhardt, 2009: 644), which open up new opportunity spaces for entrepreneurs (Navis & Glynn, 2010). But emerging market categories are fraught with uncertainty and ambiguity, which makes it difficult for entrepreneurial ventures to establish legitimacy (Aldrich & Fiol, 1994) and to convey, "who they are" and "what they do" (Navis & Glynn, 2011).

In an emerging market category, garnering legitimacy from category membership is difficult because the category is still in a state of flux. At the same time, claims of venture distinctiveness can make a new venture seem so unfamiliar that external audiences automatically discount it, or fail to even notice that it exists (Zuckerman, 1999). Under such conditions entrepreneurial ventures may struggle to garner much needed resources and engineer stakeholder support because of their unclear identity and lack of legitimacy. This tension gives rise to an important question pertaining to entrepreneurial activity in the context of category emergence: *What are the sources of legitimacy and distinctiveness for entrepreneurial ventures entering an emerging market category?*

While there has been previous research on this tension of legitimate distinctiveness, it has primarily focused on specific, narrow contexts, leaving an opportunity to research the implications of our research question on market categories with more generalizable, broad traits. Specifically, some past research has partially addressed this question by examining competing pressures for organizational legitimacy and distinctiveness in the Satellite Radio industry (Navis & Glynn, 2010). This research highlighted how two "competing" organizations—XM and Sirus—initially worked collaboratively to establish the collective identity of the category so as to attain legitimacy through category membership, after which they began to distinguish themselves from each other to establish competitive advantage. While this research no doubt informs our understanding of category emergence, it is restrictive in a number of important ways. As Navis and Glynn (2010: 464-465) point out, the research was limited to an emerging market category "with just two constituent firms. This setting had a number of unique features, including high entry barriers due to licensing and technology costs, strict government regulations that specified performance hurdles, the need for a significant technological and market infrastructure, and a small number of focal firms in the market." Because of these restrictive features, we recognized a need, and an opportunity, to examine sources of legitimacy and distinctiveness in an emerging market category with features that are different to that of Satellite Radio. New ventures are quickly developing in markets that are drastically different from that of Satellite Radio. We therefore sought to understand sources of legitimacy and distinctiveness in entrepreneurial ventures entering an emerging market category with relatively low entry barriers and limited government oversight resulting in a much higher number of new entrants.

Using both quantitative and qualitative methods, our findings suggest that the identity and practices of a single, successful early entrant into the market category may serve as the primary source of collective identity, and hence legitimacy for other ventures entering an emerging market category. We label such a venture the category prototype. All ventures entering the market category after the prototype emulate salient aspects of the prototype organization's practices. While such practices would have been strange and foreign prior to the creation of the prototype organization, after the successful creation of the prototype organization they are accepted as normal. Compliance with such practices appears to confer legitimacy on subsequent new entrants into the category. Therefore the practices of a prototype organization appear to be a significant source of collective identity and legitimacy for ventures entering an emerging market category.

While new entrant organizations may emulate salient practices of a prototype organization to garner legitimacy when entering an emerging market category, they also appear to purposefully claim some distinctiveness. An inductive analysis of the website text of new ventures entering the emerging accelerator category suggests that they made one of three types of organizational identity claims to reflect distinctiveness: (1) niche claims (e.g., claiming a specific geographic or industry niche), (2) people claims (e.g., highlighting attractive attributes of the founders, management team or mentors), or (3) resources claims (e.g., describing valuable physical assets, or significant financial resources etc.). We recognize these as three sources of distinctiveness for ventures in this setting. These sources of distinctiveness are general enough to be applied in different settings, but specific enough to potentially predict organizational outcomes in future research.

We contribute to the entrepreneurship literature by describing how pressures for legitimacy and distinctiveness may affect operational and strategic choices of entrepreneurs when they set up a new venture in an emerging market category with low entry barriers resulting in a large number of entrants striving to compete in the new market space. We contribute to the category emergence literature by specifying the importance of an organizational prototype in establishing a collective identity and hence legitimacy criteria for the emerging category. In so doing we describe what appears to be an important source of legitimacy for other new entrants participating in the emerging category. Additionally we contribute to the organizational identity literature by identifying and describing sources of venture distinctiveness for organizations entering an emerging market category. The sources of venture distinctiveness claimed by organizations in our database are more diverse and specific than those identified in prior organizational identity research.

Our paper proceeds as follows. First, we describe our empirical setting, the emergence of the seed accelerator category, for this study along with the methodological and analytical approaches for assessing data from this setting. Second, we convey our findings about how the seed accelerator category emerged and how new entrants into the emerging category conveyed legitimacy and distinctiveness in their efforts to enter the category. In so doing we identify some sources of legitimacy and distinctiveness for entrepreneurial organizations entering an emerging market category with low entry barriers, limited regulatory oversight and a significant number of new entrants. Finally, we discuss the scholarly and practical implications of our study.

Data And Methods

Empirical Setting

To assess the sources of legitimacy and distinctiveness in an emerging market category with low barriers to entry, limited government oversight and a high number of new entrants, we studied the emergence of seed accelerators. Seed accelerators represent a new type of organization for supporting the development of entrepreneurial ventures, somewhat similar to venture capital organizations but orientated toward firms at an earlier stage of development and providing smaller infusions of capital with more focused and intensive venture development support compared to venture capitalists. We analyzed qualitative and quantitative data on the emergence of 143 seed accelerators between 2005 and 2012, as the market category was emerging. We assessed data pertaining to each new entrant's market entry, value proposition, structure, location and identity claims in an effort to unravel their sources of legitimacy and distinctiveness.

Seed accelerators represent a new type of organization to support the development of entrepreneurial ventures. The distinctive differences in structure, focus and operations between accelerator programs and traditional venture capital firms distinguish them as a new market category in the entrepreneurial financing landscape (Cohen, 2013; Stross, 2012). In exchange for equity in the startup, accelerators provide capital and assistance in moving the startup forward to the next round of funding, a sale, or an acquisition. Specifically, accelerators provide formal educational opportunities, a pre-specified amount of capital, access to mentorship, connections to future investors, and a host of other benefits which may include office space, legal services, PR support and access to IT infrastructure. They typically provide these benefits for a specific, finite amount of time, in exchange for a pre-determined amount of equity. The first seed accelerator, Y Combinator (YC), was founded in 2005 and subsequently a significant number of similar organizations were established, giving rise to a new category of venture support organizations.

Data Sources

We sought to collect data that would allow us to analyze the sources of legitimacy and distinctiveness for emerging seed accelerator organizations and thereby inform our understanding of both category level and organizational level dynamics in the emergence of the category. To do this we first developed a database of seed accelerators from various sources listing and describing available accelerator programs over time. The initial source was the *Seed-DB* database, which is described as: "A centralized resource for all information on seed accelerators and the companies that have gone through them" (www.seed-db.com). We then added, supplemented and cross-checked entries in the database with data from other sources including the *Crunchbase* (www.crunchbase.com), the *Global Accelerator Network* listing (www.gan.co), the *F6s* database (www.f6s.com), and the book *Accelerate* (Deering, 2013). From this we created a database with 143 seed accelerator programs that were launched across the globe between 2005 and 2012. For each accelerator we had data on the accelerator name, location, and founding date.

We then downloaded the website text for each accelerator program at the time of their launch. We used *Internet archive* (www.archive.org) which is described as "a digital library of internet sites," to access the required text. From the website text we extracted information about the practices of each accelerator program at time of launch, including the amount of capital provided to startups in the program, the equity percentage taken for capital provided, the length of the program, and other benefits provided. Additionally we identified the identity claims within the website text for each accelerator, statements of "who we are" and "what we do" (Navis & Glynn, 2010).

We also read books, reports and media articles on the emergence and development of seed accelerators. Book titles included *Do More Faster* (Feld & Cohen, 2010), *The Launchpad* (Stross, 2012), *Accelerate* (Deering, 2013). Reports included those published by The Aspen Institute entitled *Bridging the Pioneer Gap* (Baird, Bowles & Lall, 2013) and the Nesta report entitled *Startup Factories* (Miller & Bound, 2011). In total we read over 120 media articles on specific accelerator programs and on the phenomenon of seed accelerators more generally. All this helped us develop a rich contextual understanding of the role of different social actors in the emergence of seed accelerators.

Data Analysis

We used a "theory elaboration" approach (Lee, Mitchell & Sablynski, 1999) to analyze a mix of qualitative and quantitative longitudinal data related to the emergence of seed accelerators (2005-2012). A theory elaboration approach entails contrasting preexisting theoretical understanding with observed events in an effort to extend existing theory utilizing both inductive and deductive perspectives for theory enhancement (Greenwood & Suddaby, 2006). Such a perspective allows researchers to elaborate theoretical links not previously addressed in the literature by relating empirical observations with prior conceptual insights (Gilbert, 2005). The purpose of such an approach is to "simplify, reconnect, and redirect theory" (Lee et al., 1999: 166).

We engaged in an iterative, five stage process to analyze data collected from the various sources. Our first analytical step in *stage one* of the process was to organize and understand key events and actors in the emergence of the seed accelerator category. To do this we began by writing up a single detailed case study reflecting the sequence of events underlying the emergence of the various organizations that ultimately constituted the seed accelerator category (Eisenhardt, 1989). We used insights from the reports, media articles and books as well as data reflected in the database that we constructed to create this detailed case study.

In *stage two* of the analysis process, we coded text from the launch websites of each of the accelerator organizations in our study. We worked through the text from each website and coded for information on capital, equity percentages, program length, and other benefits provided to participants. This data was then inserted into the database we had developed with each organization's name, founding data and location. Additionally, we also extracted identity claims—statements of "who we are" and "what we do" (Navis & Glynn, 2011)—from the website text of each accelerator organization.

Then, in *stage three*, we quantitatively analyzed the relationships between variables in the database that we had constructed. This allowed us to examine relationships between the practices in each accelerator program—including capital provided, equity percentages and program length—and other organizational variables such as geographic location, industry focus, and founding date. To do this we used basic regression and cluster analysis tools.

In *stage four* we organized and analyzed information about identity claims of each new accelerator organization. We first "open coded" the identity claims from the website text to identify first-order conceptual categories for such claims (Corbin & Strauss, 1990). From this round of coding, we identified 24 first order codes of distinguishing identity claims. We then moved to "axial coding" (Corbin & Strauss, 1990), which entails inferring second-order themes from first order open codes (cf., Corley & Gioia, 2004). In this phase we grouped first order codes into six second-order themes. The second order themes were then further reduced to three aggregate sources of distinctiveness. This provided an initial conceptual framework for categorizing distinguishing identity claims within an organization. Table 1 provides examples of the progression from text blocks in the original website text to first-order codes, second order themes and aggregated theoretical dimensions. Figure 1 provides an illustration of the findings obtained during each stage of the data analysis.

Finally, in *stage five*, we linked insights from the case study, the quantitative analysis of relationships between various organizational variables, and the inductive analysis of the website text to develop new theoretical insights about the sources of legitimacy and distinctiveness in category emergence. In this stage, we integrated data analysis and theory development, and iteratively cycled back and forth between existing theory and emergent conceptual ideas so as to link our insights with the existing literature (cf., Eisenhardt, 1989). From this process we derived a set of propositions describing the sources of legitimacy and distinctiveness for new ventures entering an emerging market category.

Findings And Propositions

Our research question asks: What are the sources of legitimacy and distinctiveness for entrepreneurial ventures entering an emerging market category? Our analysis of the qualitative and quantitative longitudinal data from the emergence of the seed accelerator category between 2005 and 2012 suggests that entrepreneurs focus on various mechanisms to consciously or subconsciously address issues of legitimacy and distinctiveness. These mechanisms provide varying levels of discretion to distinguish a new organization as "like" or "different."

Sources of Legitimacy

The first research finding from our analysis is that new entrants into the accelerator category appeared to depend heavily on imitating key practices of the pioneering organization in the category—YC. Evidence of this emerged from our quantitative analysis of variation in key practices of the ventures entering the category. We define key practices as those that are central to organizational functioning but allow for some variation in how they are implemented. We initially planned to analyze how new entrant accelerators diverged from other organizations in the emerging category with respect to capital offered, equity percentages claimed, length of program, and general benefits offered as part of the program. Our expectation was that there would be some systematic variation based on timing of entry (cf. Navis & Glynn, 2010) and/or geographic location (cf. Baum & Haveman, 1997) yet our analysis revealed very little systematic variation between different organizations on these various dimensions. Most accelerator organizations offered programs that were essentially the same as each other.

Because of this puzzling finding, we sought to integrate insights from the quantitative analysis with our qualitative data and evolving understanding of the broader contextual factors affecting the emergence of the seed accelerator category. This lead us to identify that most of the fundamental organizational practices of ventures entering the category had been created by Y Combinator, the first and by many accounts the most successful accelerator organization. The longitudinal nature of the data allowed us to unambiguously observe that YC introduced an array of practices that went on to become the norm in the emerging category. All other subsequent entrants into the emerging accelerator category were essentially imitating and replicating YC's key practices. As such, it appeared that YC had helped define the "rules" for entry into the category. The specific practices that YC established included a capital infusion of $6,000 to $20,000 for ventures entering the program in exchange for 2%-10% equity and a program length of 13 weeks, at the end of which would be an investor day, an opportunity for all program participants to pitch to outside investors. These figures remained largely the same across the timeframe of our study save for the addition of a $150,000 convertible note that YC made available to its participants starting in 2010 (Stross, 2012).

Based on our analysis, it would seem that if a new accelerator did not adequately imitate and replicate enough of YC's practices, then it may not be classified as part of the category, and may therefore confront a potential illegitimacy discount (Zuckerman, 1999). While we do have direct evidence of accelerator organizations that failed to comply with these criteria and were therefore discounted as illegitimate by external audiences, the strong prevalence of these practices within the organizations in our sample suggests that the accelerator founders considered these practices an essential element of being classified as an accelerator. Our findings therefore provide some insight into the source of prescribed categorical behavior.

As we integrated this finding with relevant insights from the literature, it emerged that YC likely served as a *prototype* for the emerging seed accelerator category. We define a category prototype as an organization that signals the category's essential practices, features and boundaries. In their pioneering work on categories and categorization in individual cognition, Mervis and Rosch (1981) uncovered that not all members of a category are equally representative of it. In almost all categorization structures, "Individual subjects agree that some exemplars of a category are more representative than others, and different subjects consistently choose the same examples as most representative of the category" (p. 96). In the organizational setting, Navis and Glynn (2011:482) referred to such an organization as a "category prototype" and Santos and Eisenhardt (2009: 649) referred to such an organization as a cognitive referent: "the organization that relevant others (e.g., customers, partners, analysts, and employees) automatically recognize as epitomizing [a] nascent market."

While prior researchers have highlighted that category prototypes exist and that they impact individual judgment and learning processes (Mervis & Rosch, 1981), as well as power distribution between organizations in nascent fields (Santos & Eisenhardt, 2009), the role of category prototypes as a source of legitimacy for ventures entering an emerging market category is yet to be specified. From the analysis of the qualitative and quantitative data about the emergence of the seed accelerator category it appears that YC, as the category prototype for the new field, established certain norms and standards to which other entrants had to comply if they wished to be counted as legitimate members of the category. The practices of this early, successful entrant into the category marked, either knowingly or unknowingly, a path for other subsequent category entrants such that they became the categorical norms.

The pattern of imitation and replication of YC practices in the accelerator organizations being launched in our sample suggests that the behaviors established by a category prototype create a path for subsequent new ventures to gain legitimacy. In this vein, Tripsas highlights that "an organization's external identity can provide legitimacy if it abides by the rules of a clearly defined category or trigger confusion if it deviates too far" (2009: 442). Legitimacy is integral to the attainment of resources and general acceptance of a new venture (Zimmerman & Zeitz, 2002), especially one entering a new market category (Aldrich & Fiol, 1994). Because new ventures depend on organizational legitimacy to counter "liabilities of newness" (Stinchcombe, 1965: 148), the pressure to be perceived as fitting into an emerging category so as to be seen as a legitimate can be significant (Zimmerman & Zeitz, 2002). It is this pressure to be recognized that fosters isomorphism within a particular market space (DiMaggio & Powell, 1983). Our finding that almost all new entrant organizations in the emerging accelerator category imitated and replicated the practices of YC, suggests that similarity to other category members begins with the organizational practice choices made by early successful entrants to the category. As such, we submit the following proposition:

> *Proposition 1: In an emerging market category, new entrants into the category will imitate the organizational practices of an early, successful category member to garner legitimacy.*

The theory on categories suggests that categorical boundaries are established by audience perceptions (Zuckerman, 1999). While members of a category can be diverse, category membership may downplay such diversity from an audience perspective because, "categories represent a specific kind of collective identity, where audiences have abstracted from the uniqueness of individual organizations to form a typification of commonality among a set of organizations that appear to form a common, cohesive set" (Zuckerman, 1999: 16-17). Our findings from the data about the emergence of the seed accelerator category, along with insights from the literature on collective identity, suggest that the most representative and successful member(s) of a category may significantly influence this coherent, unified identity. The qualitative and quantitative data about seed accelerators suggested that YC's initial practices essentially became the collective identity for the seed accelerator category. Therefore in an emerging category, it appears that there may be a link between categorical prototypes and collective identity.

Past literature also hints at this relationship between organizational identity and collective category identity. For example Rindova and Fombrun (1999) suggested that although multiple firms collectively created a new category, those who made "the strongest and most reinforcing claims took the prize" (p. 261), which implies that some organizations have a stronger influence on a category's collective identity than others. Similarly, Santos and Eisenhardt (2009) point out that becoming the cognitive referent in an emerging market category tends to significantly increase an organization's influence within that category, therefore such an organization may in essence dictate the collective identity for the emerging category.

Forming and making sense of an emerging market category is a socially situated process (Cornelissen & Clarke, 2010; Rosa, Porac, Runser-Spanjol & Saxon, 1999) as features of certain category members can be culturally and structurally embedded into categories, which is all part of the category generation process (Glynn & Navis, 2013). In short, "categories are defined by prototypical characteristics abstracted from the members" (Ashforth & Mael, 1989: 20), and the pattern of imitation in new accelerator organizations suggests that the most important members for defining the essence of a category are those that are seen as a prototype for the category. Given the fact that some category members are more representative of the category than others and that collective identity can be asymmetrically influenced by category members, we provide the second proposition:

Proposition 2: The collective identity of an emerging market category is related to the organizational identity and practices of an early, successful category member.

Sources of Distinctiveness

In addition to being interested in sources of legitimacy for new entrants entering an emerging market category, we were also interested in identifying sources of venture distinctiveness: How do new entrants into an emerging market category foster distinctiveness so that they might establish their own organizational identity and be recognizable and competitive within that category? Past research has suggested that venture distinctiveness may come from variation or novelty of the business concept underlying a new venture (Navis & Glynn, 2011). While variation or novelty of a business concept serves as a potential source of venture distinctiveness, our inductive analysis of the website text of different accelerator organizations suggested that claimed distinctiveness may come from a more nuanced array of sources.

In an emerging market category where entrepreneurs are largely imitating the business concept of a category prototype, they appear to refer to specific elements of their organization to claim distinctiveness. This enables them to claim uniqueness while remaining true to the fundamental practices central to category membership (Navis & Glynn, 2011). Specifically, we found that new entrants into the emerging seed accelerator category claimed distinction with respect to one or more of the following: (1) an organizational niche, (2) the people associated with the organization, or (3) the resources controlled by the organization. We labeled these categories of organizational identity claims as niche claims, people claims and resource claims. Figure 1 provides an overview of the data structure that enabled us to arrive at these categories of venture distinction.

Niche claims are organizational identity claims that signal that a new venture is operating within a specific market niche. The analysis of the website text of the accelerator organizations in our sample suggests that some accelerators not only emulate the practices of the category prototype to be part of the broader emerging market category but also attempt to claim a niche focus within that category so as to be perceived as distinct from the prototype organization and other new entrants in the category. In the accelerator category, such a niche focus is related to geography (e.g., serving entrepreneurs in Africa, Upstate New York or Melbourne) or industry (e.g., serving entrepreneurs in the education, healthcare or automotive sector). Cycling back to the literature, we discovered that this approach mirrors some of the basic tenants of resource partitioning theory in organizational ecology (cf. Carroll & Hannan, 1995; Carroll & Swaminathan, 2000), which recognizes that within an industry, economies of scale allow a few generalist organizations to grow to dominate a market. In doing so, these dominant organizations move toward the center of the market, which "opens up small pockets of resources on the periphery of the market, and it is here that specialist forms usually appear and thrive" (Carroll & Hannan, 1995: 217). Claiming distinctiveness from a specific geographic or industry focus reflects the emergence of more specialist accelerators that contrast YC, which is a dominant, generalist accelerator (YC attracts entrepreneurs from all over the world, and accepts ventures operating across a diverse range of industries). Although this pattern has been observed in organizational ecology studies (cf. Carroll & Swaminathan, 2000), the emergence of specialist organizations at the periphery of a market alongside dominant generalist organizations in the center of a market usually takes much longer to happen. In Carroll and Swaminathan's study of microbreweries, they examine the effects over 55 years. In contrast, in the accelerator category we observe claims of specialization, after only a few years, and during the emergence of the category rather than after many years of industry growth and consolidation. Interestingly, the main mechanism for explaining the rise of specialist firms still applies: It "involves the resource space that lies outside the generalist target areas. It is here, away from the (perceived) intense competitive pressure of the dominant large generalists, that specialist organizations can find viable locations" (Carroll & Swaminathan, 2000: 720).

People claims reflect organizational identity claims about the unique abilities, experience and connections of individuals associated with the venture. In accelerator organizations, such individuals may be the founders, managers or mentors associated with the organization. Distinctiveness claims on accelerator websites highlight the attributes of these people by listing out their accomplishments, highlighting books and lectures by such people, linking to media articles about such individuals and/or associating them with attractive technology companies (e.g. Google, Facebook, Intel etc.). Highlighting "people" as a key source of distinctiveness for accelerator programs is not surprising because such programs are highly dependent on the human resources that it has to deliver its service. We find that descriptions of the attributes of the people associated with the venture vary substantially and as such, people claims appear to serve as an important source of distinctiveness for new ventures in the emerging accelerator category. Tying this in with existing strategic management literature, the stream of research on upper echelons theory highlights that founders and managers impact competitive strategies, particularly during the formation of a new venture (Hambrick & Finkelstein, 1987; Hambrick, 2007). The reputation and status of founders represent components of perceived venture quality that exert independent and interdependent effects on perceptions of new venture quality (Stern, Dukerich, & Zajac, 2013); therefore the better an individual organizational member's reputation and status, the greater the benefits available to an organization (Fombrun, 1996). Some accelerator organizations appear to leverage this link between perceived quality of people and perceived quality of an organization as a means to stand apart from the category prototype and from other ventures entering the market category.

Resource claims are organizational identity claims about the quantity or quality of physical resources under an organizations control. Interestingly, while most accelerator programs broadly offer similar resource packages to the startups within their programs, inline with the business practices set up by YC, some accelerators make claims about having access to more or better resources as a source of distinction for their organization. Such resources may be in the form of financial resources, such as a large fund at their disposal, or they may be in the form of a physical asset, such as an attractive building hosting their program. In past literature, resources have long been seen as a source of power within organizational fields (Pfeffer & Salancik, 2003). It makes sense then that ventures may attempt to leverage their resource base as a source of distinction from the categorical prototype or from other new entrants. What is interesting is that in using resource claims as a source of distinction, the website text of the accelerator organizations seldom describes how those resources may impact their operation or affect the ventures in their program. The claims focus on the fact that they have these resources at their disposal, but don't necessarily describe how those resources are translated into value.

Recognizing these three types of identity claims together—niche claims, people claims and resource claims—provides a basis for more clearly understanding how new entrants in an emerging market category seek to establish points of organizational distinctiveness from the category prototype and from other ventures in the category. These three elements of distinctiveness all link with independent existing theories, but because the theories associated with each are so different, these elements of distinctiveness have not previously been brought together as an integrated framework. Our inductive analysis of the website text of new entrant organizations into the accelerator category allowed us to recognize these three types of claims as key sources of distinctiveness for new ventures. Hence we propose the following:

Proposition 3: New ventures entering an emerging market category utilize (1) niche claims, (2) people claims, and/or (3) resource claims to distinguish themselves from the category prototype and from other ventures in the category.

Discussion

We have focused this paper on determining the sources of imitation and differentiation of new entrants within a market category as they navigate the tension of being "like" and "different from" others within the category. In order to be legitimate a venture must conform to categorical expectations of appropriate behaviors and practices yet different enough to command a certain amount of market space so as to be competitive. Prior literature has addressed legitimacy through isomorphism (DiMaggio & Powell, 1983) as well as the relationship between similarity and difference through "legitimate distinctiveness" (Navis & Glynn, 2011). Yet the sources of conformance and difference in an emerging market category are not necessarily clear. Emerging market categories are fraught with uncertainty and ambiguity; it is unclear what new ventures entering such a space "conform to" or "distinguish from." As such, we have analyzed quantitative and qualitative data on the emergence of seed accelerators to uncover sources of legitimacy and distinctiveness for new ventures entering an emerging market category.

Our findings highlight the importance of a category prototype on the development of legitimated practices consistent with category membership, and hence on the category's nascent collective identity. Additionally, in the midst of adopting these legitimated practices, new entrants strive for differentiation in order to develop their own organizational identity and compete in the new market space. We identified three types of organizational identity claims that are used to distinguish new category entrants: (1) niche claims (i.e., specific geographic or industry focus), (2) people claims (e.g., claims about the attractiveness of the founders, management team or mentors), and (3) resource claims (e.g., relating to physical assets or financial resources). While these three sources were identified in our specific research setting, we believe that they are general enough to have broader implications on other markets with relatively low barriers to entry, low regulatory oversight, and the potential for a high number of other entrants.

This research contributes to the entrepreneurship literature by examining how a variety of forces impact the strategic choices of entrepreneurs in the face of competing tensions as they seek to establish new ventures in emerging market categories. "New markets…open up new opportunity spaces for entrepreneurial ventures" but they are also "fraught with uncertainty" (Navis & Glynn, 2010: 439). Examining how entrepreneurs respond to this uncertainty in the strategic choices they make when setting up a new venture deepens our understanding of the interrelationship between entrepreneurial cognition and action. Greater understanding of the ways in which decisions at an early stage of venture founding impact overall performance has practical implications as well as academic interest. This research and subsequent research on this topic of imitation versus differentiation can help inform entrepreneurs of the decisions that are central to legitimacy and category membership as well as those over which they have greater latitude of action.

This research also contributes to the literature on market category emergence by elaborating on the role and impact of prototype organizations in the emergence of new market categories. Although prior research indirectly recognizes that prototype organizations may affect market category emergence (cf. Kennedy et al., 2010; Navis & Glynn, 2011), the impact that they have on other organizations entering the category is not well understood. This research uncovers which aspects of a prototypical organization are imitated and some of the conditions under which imitation by other organizations is most likely. Broadly, it provides some explanation of the process associated with developing categorically legitimated behaviors. Additionally, our data on the emergence of the seed accelerator category provides insight into an emerging market category with relatively low entry barriers and limited government oversight that results in a high number of new entrants. This contrasts with prior research on category emergence in the Satellite Radio category with high entry barriers, heavy government oversight and only two players in the market (Navis & Glynn, 2010).

Finally, we also contribute to the organizational identity literature by identifying and describing sources of venture distinctiveness for organizations entering an emerging market category. The sources of venture distinctiveness claimed by organizations in our sample, as they set up operations in their emerging category, are more diverse and specific than those identified in prior organizational identity research.

Moving forward, interesting follow-up research could be conducted on what causes some organizations to become category prototypes while others remain less potent category members. Discovering the antecedents of category prototypes would highlight what types of practices and activities are most salient to category development and establishment. Additionally, the theory proposed here could benefit from empirical testing, particularly with the inclusion of the performance implications of various imitation and differentiation strategies.

In sum, we propose that category prototypes serve as a source of collective identity and legitimacy for new entrants in an emerging market category. New entrants tend to imitate many of these practices in an effort to gain legitimacy. They do so particularly in areas that are most central to and representative of category membership. In an effort to establish competitive advantage and their own organizational identity, however, new category entrants make decisions to distinguish themselves from the prototype by highlighting how they are different in areas that are not core to category membership. In other words, new category entrants that follow legitimated practices of the organization (largely influenced and established by the category prototype) also differentiate themselves through decisions that are not prescribed by the primary tenets of category membership. We suggest that the theory and propositions outlined here can serve as a basis for further research in this important area.

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Table 1. Progression From Text Blocks to Aggregate Theoretical Dimensions

Selected coding examples	
Original text block	*Investing in startups targeting the African market* (88mph, July 2012)
First-order code	Investing in entrepreneurs in a specific country or region with a country
Second-order theme	Niche geographic focus
Aggregate dimension	Niche claims
Original text block	*Imagine K12 is looking to invest time, experience, energy and resources in entrepreneurs who have a passion for education and the technical know-how to create their vision* (Imagine K12, March 2011)
First-order code	Focus on investing in entrepreneurial ventures in a specific industry
Second-order theme	Niche industry focus
Aggregate dimension	Niche claims
Original text block	*Dave McClure, Founding Partner & Sith Lord. Dave uses his uncanny ability to function without sleep and frequent flyer miles to discover amazing geeks and entrepreneurs in Silicon Valley and around the world. Dave's ominous past includes work at Founders Fund, Facebook fBFund, PayPal, Mint.com, and SimplyHired* (500 Startups, October 2011)
First-order code	Providing track record of accelerator founders and/or management team
Second-order theme	Founding/Management Team
Aggregate dimension	People claims
Original text block	*Nourish your idea into shape by joining TLabs. You get access to our vast repository of Industry best mentors, leading entrepreneurs, functional experts and World class Infrastructure* (TLabs, February 2012)
First-order code	Emphasizing mentor expertize
Second-order theme	Mentors
Aggregate dimension	People claims
Original text block	*We are currently renovating the historic building at 1600 Main Street in Venice designed by famous architect Steven Ehrlich. The 10,000 square foot property, where part of the Venice roller coaster once stood, will soon be a central hub for LA's tech scene. When finished, our facility will be home to dozens of startups and a nucleus of tech entrepreneurship* (Amplify, December 2011)
First-order code	Describing attractive features of the building/facilities where the accelerator is located
Second-order theme	Physical assets
Aggregate dimension	Resource claims
Original text block	*HYPERDRIVE is a new $30+ million tech startup incubator program with a global focus to seed, fund, and grow new businesses* (Hyperdrive, May 2012)
First-order code	Access to significant financial resources
Second-order theme	Financial resources
Aggregate dimension	Resource claims

Figure 1. Data Structure