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Jessica Jones
University of Colorado, USA, jess.jones@colorado.edu

Brett Smith
Miami University

Micheal Conger
Miami University

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NOW WE SEE IN A MIRROR, DIMLY: FROM ORGANIZATIONAL IDENTITY OPACITY TO TRANSPARENCY OF A FAITH-BASED ACCELERATOR

Jessica Jones, University of Colorado, USA
Brett Smith, Miami University, USA
Michael Conger, Miami University, USA

ABSTRACT

While organizational identities play a crucial role in the launch and survival of an entrepreneurial venture, we know little about strategies new ventures use to reveal their identities to multiple audiences. In this longitudinal qualitative study of an emerging venture, we seek to clarify how new ventures respond to perceptions of legitimacy from different audiences, especially when a new venture holds a marginalized identity. We follow a faith-based accelerator that manages its faith-based identity by moving from identity opacity to identity transparency despite lacking legitimacy. Our inductive study provides insight into how and why nascent organizations either prevent, or promote aspects of their core identity in the legitimization process.

INTRODUCTION

Organizational identities are defined as the aspects about the organization that are central, enduring, and distinctive (Albert & Whetten, 1985; Yu & Cannella Jr., 2007). The role of organizational identity in entrepreneurship has potential implications for ventures that must grapple with the complexity that comes from the simultaneous pursuit of multiple, often conflicting goals such as social ventures and hybrid organizations (Pache & Santos, 2010). In the pursuit of multiple goals, new ventures may be hindered by elements of their identities that lack legitimacy (Moss et al., 2010; Navis & Glynn, 2011).

Legitimacy judgments are determined by new ventures’ simultaneous claims around legitimacy and distinctiveness (Navis & Glynn, 2011). Such “legitimate distinctiveness” requires new ventures to balance being both familiar, and unique enough, to create and capture value in the marketplace. Yet, the literature assumes that different audiences make similar legitimacy judgments (Überbacher, 2014). While strategies such as legitimacy buffering (Fisher, Kotha & Lahiri, 2016) may mitigate legitimacy challenges in new ventures through an organizations’ life cycle, the question of how, at the nascent and earliest stages of a venture’s existence, a hybrid organization manages different legitimacy judgments in order to achieve legitimacy and distinctiveness remains unanswered. Further, we know relatively little about the processes by which organizations simultaneously manage multiple identities internally, while seeking legitimacy of such identities externally.

We explore the legitimation process through a through a longitudinal case study of a newly-formed faith-based accelerator and offer a new construct of identity transparency through the legitimizing process to multiple audiences. Our results suggest organizations seek a legitimacy threshold in two ways: moving from an organizational preventative to regulatory focus, and moving from identity opacity to identity transparency. Organizations with identities that are stigmatized, marginalized or uncertain may use opacity to hide from audiences that may detract from the organization, while using transparency to shine to its supporters. In addition, once an
organization reaches its legitimacy threshold, they are no longer able to use identity opacity as a strategy for gaining legitimacy to additional audiences.

THEORETICAL BACKGROUND

It is widely held that organizational identities play a crucial role in the launch and survival of entrepreneurial ventures (Barney et al., 1998; Powell & Baker, 2014). In early stages of a new venture, resource acquisition and growth are vital for such organizations, which can depend on the organization’s identity claims (e.g., Ashforth & Mael, 1989; Glynn, 2000; Porac, Wade, & Pollock, 1999). Entrepreneurial identity of an organization is the constellation of claims around the founders, organization, and market opportunity (Navis & Glynn, 2011). Although organizational identity is socially constructed by internal stakeholders (Gioia & Patvardhan, 2012), external stakeholders’ subjective judgments take on greater relevance, since objective assessments of the organizations’ entire strategy, product, and identity are not fully known. Thus, the claims made around the organization and the market opportunity are judged positively by outside stakeholders when they are “legitimately distinctive,” (Navis & Glynn, 2011:479).

Legitimacy is granted to organizations when an it aligns with institutional norms, and is deemed “desirable, proper or appropriate within some socially constructed system of values, beliefs and definitions” (Suchman, 1995:574). Extant literature highlights how new venture legitimation is a complex social process involving the interaction of external evaluators, who hold various judgments, and strategic action of organization seeking to influence those judgments (Harmon et al., 2015; Navis and Glynn, 2011; Überbacher, 2014; Voronov et al., 2013). Research on legitimacy in entrepreneurship has focused on investor perceptions as the predominant external evaluator (De Clerc and Voronov, 2009; Drori et al., 2009; Navis & Glynn, 2011). Such legitimacy judgments are extrapolated to all stakeholders, therefore making the assumption that different audiences will reach similar judgments regarding what makes a new venture legitimate (Überbacher, 2014).

Our study aims to clarify how new ventures respond to perceptions of legitimacy from different audiences, especially when a new venture holds a marginalized identity. Often, we find that organizations with multiple, often conflicting identities will emphasize the identity that is most salient to a particular context or stakeholder (Pache & Santos, 2013). On the other hand, York and his colleagues recently showed that multiple identities may, in fact, be generative, not problematic as the complex identity of the organization provides a broader set of opportunities for disparate stakeholder groups to “buy in” (York, O’Neil, & Sarasvathy, 2016). These conflicting arguments suggest that how and why organizations mitigate uncertainty of their marginalized identities and how different audiences may react to such a marginalized identity and subsequently affect the organization is still very much an open question.

With this in mind, we engaged in a qualitative study of the new venture process using a faith-based accelerator as our case study. We follow the accelerator from its beginning to explore the specific internal and external processes that influence movement of identity opacity of the marginalized ‘faith’ identity, to identity transparency, despite lacking legitimacy.

We aimed to understand how nascent organizations in the legitimation process respond to different evaluations from multiple audiences, and the underlying desire to hide from detractors while appealing to their supporters, to explain such responses. We uncover a model that illustrates how varying audience perceptions trigger the level of identity explicitness of the accelerators. This leads to our research questions:
1) How do new organizations manage identity claims to achieve legitimate distinctiveness to different audiences?

2) How and why does an organization choose to hide part of their identity when it is core to its distinctiveness?

METHODS

We take an inductive approach (Goddard, 2004; Yin, 2009) to examine a newly-formed venture accelerator in the United States seeking to integrate religious and market logics and effectively communicate this integrated identity to multiple stakeholders. We followed the accelerator over a four-year period from before its launch to the graduation of its third full cohort of ventures. The first author was invited to advise the board, which allowed for audio and video recordings of organization board meetings, workshops, and other accelerator-affiliated meetings. Our deep insider access resulted in the following primary and secondary data: 22 semi-structured, 60-90 minute interviews with the accelerator founders and stakeholders, 22 recordings of 2-4-hour board meetings, 52 surveys collected from accelerator applicants, and over 600 pages of marketing materials collected from handouts, social media, and press releases. We also conducted 44 hours of field observation at the accelerator board meetings, events, and interactions with the accelerator founders and participants. Such unique data allows to validate not only the legitimacy judgments, but how the accelerator reacts and responds to such evaluations.

FINDINGS

We identify three key processes through which new ventures contribute to the legitimation process. Externally, the organization shifts from identity opacity to identity transparency of the “faith-based” identity. Internally, the organization shifts from a preventative focus of hiding from its detractors to shining towards its supporters. The organization shifts its identity and regulatory focus externally due to the legitimation process; once the “faith-based” identity crosses a legitimacy threshold; the identity reaches a level of visibility that becomes an irreversible commitment. Such legitimation processes become the basis for building a collective identity of a previously marginalized identity.

Identity Opacity to Identity Transparency

The faith-based accelerator began as an opportunity for members of a church to pursue their faith through entrepreneurship. Evidence of presentation materials and interviews confirm the organization’s core faith identity. After receiving initial capital from the church to form an accelerator, the organization’s external identity claims shift. The accelerator quickly realizes outside of the church, their faith-based identity is seen as marginalized, uninformed, and even stigmatized, based on the audience they speak to. Specifically, they realize that conversations about faith with potential investors make such evaluators feel “uncomfortable”. As a result, the accelerator moves from explicit “God-centered” to more opaque “purpose-driven” language.

Expressions of their opaque identity lead to ambiguity of those making legitimacy judgments and the organization is challenged to achieve legitimate distinctiveness. The organization faces the realization that the identity which makes them distinct, ‘faith-based’, lacks legitimacy. Further, they will not achieve legitimacy until they are able to explicitly claim what makes them distinct. Over time, the organization shifts from identity opacity to identity transparency in pursuit of legitimate distinctiveness. Here, we see a board member reflecting on the shift of their language from opaque to transparent:
“...more polarizing language based on our board retreat and based on the new mission statement and vision statement...Our headline is “God-centered startup accelerator opens up 2016 application.” So I’m actually thinking that we’re going to actually get a lot more than with the kind of wishy-washy [language]...”

Hiding from Detractors to Shining Towards Supporters

The notion of organization-level regulatory focus also emerged from the data. Once the accelerator founders’ realized their ‘faith-based’ identity lacked legitimacy, they attempted to hide from those that may criticize. While they had backing and support from external audiences who did see the faith-based identity as legitimate, the majority of their early language was focused on making the faith-based identity opaque. This insight provides evidence of heterogeneity in legitimacy perceptions across multiple audiences.

In this way, the organization focused on appealing to those who did not see the organization as legitimate at the expense of appealing to those who saw the organization as legitimate:

“We danced around it so many times leading into Demo Day...And where it galvanized for me was one of our biggest supporters... called me after Demo Day and was very upset, painfully hurt. And said, “Not one person got up and thanked Christ. They thanked you, they thanked the founders, they thanked everybody, nobody thanked God.”

By focusing on safety and comfort of opaque language like “purpose-driven” and conforming to institutional norm of not blending faith and business, the accelerator ignores their original motivation and intent to pursue their organization. As a result, the accelerator shifts into an organization-level promotion-focus in order to pursue their mission of bringing faith and entrepreneurship together. The mechanism in which they do so is through the legitimation process.

Visibility after Crossing the Legitimacy Threshold

Drawing from extant research on legitimacy, organizations seek to reach a legitimacy threshold, in which the strategy for gaining legitimacy is reached (Zimmerman and Zeitz, 2002). To do so, the accelerator engages in different iterations of identity claims to seek legitimacy from external evaluators. The more people they talk to, the more news outlets they contact, and the more applicants they seek increases their transparency, as does the number of audiences providing legitimacy judgments. Visibility of the accelerators’ identity increases in this process and the organization's founders must respond:

“The marriage of faith and business might seem odd to some, but [ACCELERATOR]... entwines the two.

They scanned the nation's 200-plus accelerators and found no other program like the one they envisioned.

Well we got a lot of confidence when we saw the initial reaction to that piece [NATIONAL NEWSPAPER]. And then what we had the painful allusion was just owning that.”

We find that before reaching a legitimacy threshold, the accelerator uses compensatory identity—relying on legitimacy of the accelerator category to compensate the lack of legitimacy for faith-entrepreneurship identity. However, as they experience internal conflict as they become
transparent to multiple audiences, but once the organization becomes visibility and hits its minimum legitimacy threshold, who they are as a faith-based accelerator becomes an irreversible commitment.

Figure 1 illustrates the legitimation process. Our findings suggest that organizations experience internal conflict as they become transparent about their identity to multiple audiences. To mitigate the risk of negative evaluation of their organizational identity, certain aspects of identity compensate for others lacking legitimacy. When identity transparency increases, organizations enter an irreversible identity threshold in which they can no longer hide the aspect of their identity that lacks legitimacy. This emerging framework may offer new insights into the legitimizing process of organizational and collective identity as a core tenant of appealing to multiple audiences. These findings extend the growing literature linking internal and external management strategies to the entrepreneurial process.

**DISCUSSION AND CONCLUSION**

Theoretically, we introduce the construct identity transparency, and organizational regulatory focus, as mechanisms of the legitimation process in new ventures. This contributes to a more nuanced view of new venture legitimacy than previous literature that has assumed all audiences are similar in their legitimacy judgments (Uberbacher, 2014). This article builds upon and extends this line of inquiry by examining the interaction of multiple audiences with a focal new venture over time. Based upon a 4-year longitudinal study of a faith-based accelerator, this article clarifies the process between how organizations acquire and maintain legitimacy across multiple audiences. More than this, we show how critical organizational identity is in the legitimacy process, to the extent that it is core to the organization’s existence and affects the direction in which the organization proceeds. We also illustrate distinct mechanisms by which prevention and promotion regulatory focus at the organization level impacts the legitimation process. Overall, the theory we build is critical to obtaining a clearer understanding of how new ventures achieve legitimate distinctiveness over time.

Practically, we provide insights that can apply to new ventures, accelerators, and hybrid organizations. Whereas our case describes “faith” as the aspect of the organization which lacks legitimacy, the insights may also apply to other organizations seeking legitimacy from multiple audiences. For example, social and environmental entrepreneurs may similarly move from identity opacity to transparency depending on the core aspects of their organization. In our view, the efficacy of new venture legitimacy process is intertwined with the identity work in which a new venture employs. Furthermore, all new ventures begin with the need to acquire support. As entrepreneurs begin their venture, integrating such identity work may also influence legitimacy judgments.

**CONTACT**: Jessica Jones; jess.jones@colorado.edu UCB 419, Boulder, CO, 80309, USA.