

6-10-2017

REVEAL OR CONCEAL? AN EXPLORATIVE STUDY OF SIGNALING STRATEGIES TO BUILD LEGITIMACY IN CLEANTECH VENTURES (INTERACTIVE PAPER)

Ekaterina Bjornali

NTNU Business School, Trondyeim, Norwat, ekaterina.bjornali@ntnu.no

Ferran Giones

University of Southern Denmark, Sønderborg, Denmark

Anders Billström

Nord University Business School, Norway

Recommended Citation

Bjornali, Ekaterina; Giones, Ferran; and Billström, Anders (2017) "REVEAL OR CONCEAL? AN EXPLORATIVE STUDY OF SIGNALING STRATEGIES TO BUILD LEGITIMACY IN CLEANTECH VENTURES (INTERACTIVE PAPER)," *Frontiers of Entrepreneurship Research*: Vol. 37 : Iss. 9 , Article 9.

Available at: <https://digitalknowledge.babson.edu/fer/vol37/iss9/9>

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≈ INTERACTIVE PAPER ≈

REVEAL OR CONCEAL? AN EXPLORATIVE STUDY OF SIGNALING STRATEGIES TO BUILD LEGITIMACY IN CLEANTECH VENTURES*Ekaterina Bjornali, NTNU, Trondheim, Norway**Ferran Giones, University of Southern Denmark, Sønderborg, Denmark**Anders Billström, Nord University Business School, Norway***Principal topic**

The emergence of cleantech industry offers a unique context to explore and develop entrepreneurship theories. Cleantech ventures are important agents of environmental innovation, they exploit technological knowledge contribute to an increased use of energy from renewable sources or to a more environmentally friendly handling of waste. They represent an extreme case of technology entrepreneurship: combining a strong focus on capital-intensive technologies with complex industrial markets.

Cleantech ventures face greater firm and industry-level legitimacy challenges while accessing external resources, compared to high-tech ventures operating in more established (legitimized) industries. Zimmermann and Zeitz (2002) suggested that achieving a legitimacy threshold is related to the emergence of a new venture. However, from the stage-based theory perspective, gaining legitimacy is associated with overcoming critical junctures (Vohora et al. 2004). Instead of a unique threshold, cleantech ventures might have to build and sustain legitimacy across different stages, overcoming legitimacy thresholds (Fisher et al. 2016). Our study examines how cleantech ventures pursue the process of signaling towards external parties to reach important entrepreneurial milestones in different development stages. We address the following research questions: • Why and how do the cleantech ventures signal to gain legitimacy, and • What signals do they send in the start-up and growth (late) stages?

Methodology

We use a multiple case-study of five cleantech firms. The selected companies started in Norway, but operate internationally, as evidence of the global nature of this emerging industry. We have carried out personal in-depth interviews with the CEOs of the five ventures (signal senders) using a semi-structured interview guide in the spring 2016, and collected secondary data on the firms.

Results and Implications

Our findings describe the motivations and distinctive characteristics of the signaling actions. Cleantech ventures pursue several parallel signaling strategies, shifting from resources to customers' acquisition. Furthermore, as cleantech ventures issue multiple signals to external parties simultaneously, consistency and complementarity between the signals amplifies the positive effect on the firm's legitimacy. We identify direct signals that reveal qualities of the firm, and derivative signals that help to conceal perceived weaknesses. For cleantech entrepreneurs, having a focus on direct signaling on how the technology performs and its market potential seems to be a more fruitful strategy than signaling the environmental impact of technology in the early stage. While having an experienced board helps to issue derivative signals to conceal the limited reputation of the founding team.

CONTACT: Ekaterina S. Bjørnåli; ekaterina.bjornali@ntnu.no; (T): +47 986-87-393; NTNU Business School, Norwegian University of Science and Technology; Klæbuveien 72 3, NO-7004 Trondheim, Norway.