6-11-2011

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Recommended Citation
Miller, Justin I.; Yamakawa, Yasuhiro; and Deeds, David (2011) "LEGITIMACY CREATION AND DESTRUCTION: AGRICULTURAL BIOTECHNOLOGY AS AN EMERGING INDUSTRY THAT FAILED TO GROW (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 31: Iss. 15, Article 10.
Available at: http://digitalknowledge.babson.edu/fer/vol31/iss15/10

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LEGITIMACY CREATION AND DESTRUCTION:
AGRICULTURAL BIOTECHNOLOGY AS AN EMERGING
INDUSTRY THAT FAILED TO GROW

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Principal Topic
Studies of industry emergence, like studies of entrepreneurship generally, have tended to emphasize success rather than failure. This is for perhaps two important reasons: 1) data is easier to find for successes, and 2) successful examples would seem necessarily to hold the key ingredients for future entrepreneurs, if only those key ingredients could be isolated. But by selectively studying success without comparison to failure, it is difficult to strongly identify those conditions and variables necessary, and impossible to understand important relationships among sets of key variables.

Method
We study an ‘industry’ that in the 1970s looked promising. New technology was being developed, patented, and licensed. New companies were being founded and resources were flowing into the field of agricultural biotechnology. But by the 1990s, there was still no identifiable industry, even though there were identifiable companies such as Monsanto, and a parallel identifiable industry of human biotechnology. An agricultural biotechnology industry has still failed to emerge by 2010. What causes an industry to fail to emerge? We examine this issue as a case of cognitive legitimacy construction and destruction.

Aldrich & Fiol (1994) speculated that entrepreneurs in emerging fields had to pull double-duty, building legitimacy for their own firms as well as for their industry, and a consensus has emerged around this key concept. But we speculate that legitimacy is a fragile, community-based resource, fully capable of being abused to the point of destruction. This leads us to examine legitimacy as an issue of the commons: developed, shared, maintained, used, and potentially abused, by the members of a field. This further leads us to examine cognitive legitimacy (understandability) as analogous to a categorization scheme.

Results and Implications
Theoretically, this study makes two contributions. To institutional theory, this study supports an emerging literature on legitimacy as a shared community resource. As a part of the community commons, this resource is particularly vulnerable to exploitation during the emergence process, and without protection may be destroyed. Interestingly, cognitive legitimacy destruction means that the very meaning of an emerging industry can lose coherence: understandability can be destroyed. If the ‘understandability’ of the emerging industry is destroyed, the field collapses and fails to emerge – even if some individual organizations may continue.

Secondly, this study contributes to an entrepreneurial theory of industry emergence as a process of both creative and discovery opportunities for organizational entrepreneurs.

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