LIFTOFF? THE IMPACT OF ENTREPRENEUR AND VENTURE SOURCES OF LEGITIMACY ON FUNDING PERFORMANCE IN THE PRIVATE SPACEFLIGHT INDUSTRY (SUMMARY)

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SUMMARY

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Principal Topic

Legitimacy is directly related to resource acquisition (Meyer & Rowan, 1977). Institutional theory has provided a strong framework for examining this process. Independent Venture Capital (IVC) has emerged as a major funding source in the past four decades and new ventures have traditionally relied on IVC firms to provide financial and managerial resources (Park & Steensma, 2011). Prior work has highlighted the role of media on the perceived status or reputation of ventures (Dimov et al., 2007) and IPO performance (Pollock & Rindova, 2003). However, research has yet to examine how other sources of legitimacy – including cognitive, regulatory, and industry – may interact with the media attention, a normative source of legitimacy, in impacting resource acquisition performance. Moreover, we focus on the role of media on new ventures’ fundraising through various rounds over time.

Method

We are constructing an event history study of 52 commercial space firms founded in 1994 or later with a focus on examining all legitimacy-determining events for the period 1994-2014. Our data is drawn from the Venture Expert, Lexis-Nexis and Census datasets as well as from proprietary data. We examine both capital acquisition and survival outcomes for a total of 6,384 firm-months. We examine variables accounting for a number of different types of legitimacy: cognitive (prior entrepreneurial experience of the venture founder), industry (board memberships of the venture founder, industry and venture success in meeting flight test competition goals), and normative (media volume and tenor).

Current Results and Implications

We argue that an increase in the legitimacy based on media exposure will enhance VC probability of funding the venture and increase the probability of survival or merger. We also argue that tenor of media exposure matters and that greater overall positive exposure would make VCs more confident of the potential success of the venture (Pollock and Rindova, 2003; Suchman, 1995). The study is currently in process. We contribute to the literature by developing a theoretical connection between media bestowed legitimacy and fundraising performance in the presence of the moderating effects of other sources of legitimacy.

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