Dynamics and Constraints of the Start-Up Legitimation Process: Organizational Identification Perspective

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New ventures operate in increasingly more uncertain and complex environments -> ambiguous pressures for conformity, need to optimize the legitimation efforts (Fisher et al., 2016; Fisher et al., 2017)

There is intensified competition among emerging ventures and between new and established firms-> manifestation of novelty and distinctiveness has become an integral part of the legitimation process (Buhra et al., 2021; Fisher et al., 2017; Zhao et al., 2017)

- Start-up legitimacy calls simultaneously for relevant degrees of deviance and conformity (Rindova et al., 2005)
- Founders are important “legitimacy acquiring agents” (Fisher, 2020, p. 2) for their new ventures -> appropriate configurations of founders’ strategic actions and practices can allow start-ups to meet conformity expectations and to signal their creativity and innovativeness potential (Suddaby et al., 2017).
- Founders’ decision-making process and behavior are significantly shaped by the manner, in which they identify with their new ventures, or their organizational identification (Garud et al., 2014; Grimes, 2018; Riketta, 2005).

RQ: How do founders with different types of organizational identification approach the start-up legitimation process?
**Theoretical framework**

**RQ:** How do founders with different types of organizational identification approach the start-up legitimation process?

**ORGANIZATIONAL IDENTIFICATION**

“a cognitive linking between the definition of the organization and the definition of self” (Dutton, Dukerich, & Harquail, 1994, p. 242)

- **instrumental vs intrinsic**
  (Wagenschwanz & Grimes, 2021)

**LEGITIMATION**

- process of achieving or building legitimacy (Überbacher, 2014)
- conformity- vs distinctiveness-oriented actions (Navis & Glynn, 2011; Zhao et al., 2017)

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• Contrasting types of organizational identifications translate into varying approaches to start-up legitimation (Madjar et al., 2011; Mazzelli et al., 2018)

• Through the legitimation process, changes in the dominating conformity- or distinctiveness-oriented legitimation actions are expected under the effect of identity-related triggers, for example, the experience of identity tensions (Anderson et al., 2019; Cesinger et al., 2022; Mathias and Williams, 2018; Wang et al., 2022).
Methodology

• **Longitudinal multiple case-study strategy** with a sample of 10 cases

• **Criteria for start-up selection:** (1) new ventures in search of a repeatable and scalable business model (Blank, 2013); (2) residents of the same business incubator; (3) high-technology industry.

• The context presented is an appropriate setting for the study of how entrepreneurs with different types of organizational identification addressed the distinctiveness-conformity dilemma (Buhr et al., 2021).

<table>
<thead>
<tr>
<th>Start-up</th>
<th>Industry</th>
<th>Year Founded</th>
<th>Founders</th>
<th>Employees</th>
<th>Pivots</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha</td>
<td>Tourism, augmented reality</td>
<td>2013</td>
<td>3</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Beta</td>
<td>IT, real estate</td>
<td>2015</td>
<td>1</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Gamma</td>
<td>IT</td>
<td>2014</td>
<td>3</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>Delta</td>
<td>Education, zoo services</td>
<td>2015</td>
<td>2</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Epsilon</td>
<td>Advertising</td>
<td>2015</td>
<td>2</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Zeta</td>
<td>Market research</td>
<td>2016</td>
<td>2</td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>Eta</td>
<td>IT, art</td>
<td>2013</td>
<td>1</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Theta</td>
<td>IT, healthy lifestyle</td>
<td>2014</td>
<td>2</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Iota</td>
<td>Manufacturing</td>
<td>2016</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Kappa</td>
<td>Manufacturing</td>
<td>2013</td>
<td>1</td>
<td>10</td>
<td>2</td>
</tr>
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Data

Data collection:
- Semi-structured interview data (three rounds over the January 2017 – October 2018 period);
- Publicly available data (websites of start-ups, professional profiles, web and press articles);
- Internal documents (business plans and reports);
- Quantitative data on start-ups' performance from public sources (Spark-Interfax database)

Data analysis:
- Grounded theory strategy (Langley, 1999)
- Main stages:
  1) Creation of the event history lists;
  2) Analysis of founders’ organizational identification types;
  3) Determination of legitimation actions, in which start-ups were engaged through the process of their development;
  4) Cross-case and within-case analysis of variations and exploration of the way organizational identification affects the legitimation of high-tech start-ups through the balance between organizational conformity and organizational distinctiveness.
### Data structure

- **Start-up as an extension of the “self” of the founder (values, dreams)**
- **Unconditional attachment with the start-up**

- **Stating conditions of voluntary departure from the start-up**
- **Separateness of the start-up from the “self” of the founder**

- **Fitting trends and prevailing technological/product/market logic**
  - Referring to symbolic actions, following safe options (proven approaches, conventional practices)
  - Abiding by external feedback
  - Entering existing product ecosystems/ membership in well-established community

- **Ignoring trends and current stance**
  - Contrasting product features of competitors, introducing publicly improved offerings or novel solutions
  - Stressing and following unique/ non-conventional way of development
  - Organizing product ecosystem/ community of customers/ loyal network around the start-up

- **Willingness to create further something new**
  - Conflict between ‘to-be’ and ‘as-is’ rationale of start-up activity

- **Non-acceptance of the start-up by external audience**
  - Imbalance between inputs and outputs
  - Dissatisfactions with the current and/or future outcomes of start-up activity

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[Diagram showing the relationship between data structure and organizational identification, legitimacy approach, and identity tension.]

**Intrinsic**
- **Conformity**
- **Distinctiveness**

**Instrumental**
- **Limited self-realization**
- **Disrupted self-coherence**
## Coding procedure examples

<table>
<thead>
<tr>
<th>Organizational identification</th>
<th>Start-up founders</th>
<th>Exemplary quotes</th>
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| **Intrinsic organizational identification** | Founders of: Alpha (after the pivot), Beta (before the pivot), Eta, Theta, Iota, Kappa (before the 1st pivot) | *Start-up as an extension of the “self” of the founder (values, dreams):*  
“I quickly became disillusioned with the rental market, I did not like it, because it did not correspond to my life principles. Rent is more of a deception. […] In parallel, I was preparing [Name of the project] project. I was creating it based on all the experience I had received. The project was designed in such a way to give benefits to the tenant, or the user, and the estate owner” (founder of Beta, 1st interview).  
*Unconditional attachment with the start-up:*  
“I would not sell. This is my project; this is rather my hobby” (co-founder of Eta, 3rd interview).  
“But it’s already in my blood that the things I do are part of my life” (founder of Kappa, 1st interview). |
| **Instrumental organizational identification** | Founders of: Alpha (before the pivot), Beta (after the pivot), Gamma, Delta, Epsilon, Zeta, Kappa (after the 1st pivot) | *Stating conditions of voluntary departure from the start-up:*  
“I was building a project not just to get paid, but to create a global project”; “If the robot does not work, I will close the project, because there is no other way to take this market, absolutely” (founder of Beta, 3rd interview).  
“[…] we are not going to work further on the aggregator model, due to the fact that it is not so promising in terms of income” (founder of Epsilon, 2nd interview).  
*Separateness of the start-up from the “self” of the founder:*  
“The life’s work is the life’s work, and business is business […] I can try and not show off, but do what I can do” (co-founder of Gamma, 1st interview).  
“My position is that […] business is created for the sake of money” (co-founder of Zeta, 3rd interview). |
Key findings

- Depending on the type of organizational identification, the legitimation process evolves either from conformity to distinctiveness or from distinctiveness to conformity.

- Excessive distinctiveness- or conformity-oriented legitimation actions are associated with identity tensions and might result in pivots/exits.

- Optimal conformity-distinctiveness balance is defined by the internal and external legitimacy thresholds.
Theoretical contribution

– The study clarifies the **dynamic understanding of the optimal distinctiveness phenomenon** (see the call for more research on this in Zhao and Glynn, 2022) suggesting the balance between venture conformity and distinctiveness to be bounded by the search for both external and internal legitimacy thresholds.

– The study extends the growing research domain on the **paradoxical nature of legitimacy** by focusing on the identity threats in the start-up legitimation process. More specifically, it reveals that the search for gaining legitimacy by start-ups might also challenge the identity of founders. Arising identity tensions have a strong impact on the well-being of entrepreneurs and the flow of the venture creation process, including decisions to pivot or exit.

– We theorize within the **organizational identification stream** that the start-up legitimation process has identity-based constraints. It means that the entrepreneurial identity is not only an important resource and enabling force as it is widely discussed in the entrepreneurship literature (Farmer et al., 2011; Hoang and Gimeno, 2010; Murnieks et al., 2019), but may also act as a constraint in processes and decisions related to the creation of new ventures.
Practical implications

– We raise the issue of a potentially biased use of conformity and distinctiveness legitimation approaches by founders with different types of organizational identification. It might result in organizational failures because of the inappropriate choice of legitimation mechanisms that don’t fit the external environment and/or the expectations of key stakeholders.

– Depending on the type and degree of organizational identification, founders might perceive changes in a venture idea, venture concept or venture opportunity negatively, resulting in diminishing passion, loss of interest, or dispersed attention. Consequently, for educators, it is important to provide training on different approaches to start-up legitimation, including applied legitimation mechanisms, and to share insights on how these approaches can be mixed and adapted to the specifics of entrepreneurs, their teams, and venture business models.
Limitations and future research

– The study is focused on the **context of Russia and purposefully selected high-tech sector** -> Getting more nuanced insights into the process requires research covering new ventures from varying industries and national contexts.

– The sample is comprised of **mostly male entrepreneurs** -> There are intriguing opportunities for the exploration of gendered identity effects in the start-up legitimation process.

– The issue of **possible shifts in the organizational identification** as a result of founders’ entrepreneurial decisions and actions of founders are left untheorized in our study -> Further research is suggested to pay attention to the antecedents of organizational identification of entrepreneurs and triggers of shifts in their understanding of self in relation to their ventures.
Thank you for your attention!

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