



Balancing “what matters to me” with “what matters to them”: Exploring the legitimation process of environmental entrepreneurs



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ABSTRACT

We extend current knowledge on new venture legitimation by focusing both on how environmental entrepreneurs enact their values and beliefs during the legitimation process and on the resultant business and personal consequences. On the basis of our longitudinal analysis of six cases studies we develop a staged process model of legitimation. Our findings suggest three novel insights. First, the entrepreneur's (i.e. the legitimacy seeker's) own values and beliefs are found to anchor initial decisions about how to gain legitimacy (the “what matters to me” stage) but are then toned down as attention shifts to gain legitimacy from diverse audiences (the “what matters to them” stage). Eventually, the entrepreneurs arrive at an approach that balances “what matters to me and them”. Second, we are able to explain how and why these changes in legitimation take place. The entrepreneurs learned to adapt their legitimation work by engaging in reflection and reflexivity about both the business and personal consequences of their work in each stage. Finally, we detail the significance of dissonance to this process as a trigger for changes in behavior. Overall, our three insights allow us to extend the notion of what a “skillful” legitimacy seeker might be.

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1. Executive summary

Entrepreneurs are often driven by the desire to have the freedom to enact their values and beliefs and hopes to make a difference (Rindova et al., 2009). This freedom, however, can be constrained by the need to gain legitimacy for their new ventures. Environmental entrepreneurs, for example, may find that some of the audiences from whom they seek legitimacy may not share the entrepreneurs' belief in the compatibility of business and environmentalism. Our research seeks to generate new insights into how entrepreneurs negotiate this under-researched yet “fundamental paradox of the entrepreneurial dynamic” (Rindova et al., 2009: 483) by posing the question: *How, and with what consequences, do entrepreneurs (skillfully) enact their values and beliefs in the new venture legitimation process?*

Our empirical answer to this question is a process model which we developed inductively by analyzing six new environmental ventures over four years. Our model explains how environmental entrepreneurs' values and beliefs shape their legitimation work over time as well as the business and personal consequences of this work. While the environmental entrepreneurs we studied all appeared to learn eventually how to skillfully gain legitimacy from their varied audiences, their initial attempts to portray their own values and beliefs (i.e. “what matters to me”) were often counterproductive for gaining wider legitimacy. Although initially

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surprised that some of their audiences did not share their vision of making a difference through environmental entrepreneurship, the need to ensure the continued survival of their ventures acted as a catalyst for change. Specifically, we observed entrepreneurs' legitimation work change from behavior based on "what matters to me" to behavior that accommodated "what matters to them", and eventually, came to balance "what matters to me and them".

Underpinning these changes in legitimation work was the development of greater perspective taking, that is, greater awareness and understanding of the interests and perspectives of others. Yet, the development of perspective taking is not automatic; it is contingent on the entrepreneurs' ability to reflect on audience feedback and reflexively evaluate the personal and business consequences of their legitimation work. Reflexivity involved self-introspection and thinking about the impact of their legitimation work on the business as well as on themselves and the ambitions they initially set out to fulfil (i.e. personal consequences). Notably, we witnessed some entrepreneurs experiencing dissonance stemming from believing one thing (e.g. that blending environmental values with business is superior to the status quo) and having to do another (e.g. toning down the portrayal of these values and beliefs in their audience encounters). While we observed our entrepreneurs developing different strategies for coping with dissonance and the accompanying sense of inauthenticity, for some entrepreneurs these feelings endured. We posit that if left unresolved, these emotions might interfere with the entrepreneur's well-being and the effective running of the business.

We believe that our research contributes to the field of entrepreneurship in three important ways: First, we contribute to knowledge of new venture legitimation as well as the emancipatory entrepreneurship perspective by accounting for the role of values and beliefs in entrepreneurs' legitimation work. Second, we provide a more complete understanding of the new venture legitimation process by explaining not only *why* entrepreneurs engage in certain legitimation work (e.g. initially to enact their values and beliefs and later to demonstrate congruence with their wider audiences' values and beliefs) but also show *how* this work changes over time. We explain the mechanisms through which entrepreneurs learn skillful legitimation (i.e. perspective taking, reflection and reflexivity). Third, we offer novel insights into the consequences of new venture legitimation for entrepreneurs, some of which can be personal and negative (e.g. dissonance and feelings of inauthenticity). By considering the process of legitimation as well as a wider range of consequences, we extend current conceptualizations of "skillfulness" in the context of new venture legitimation. Our findings suggest that "skillfulness" is not just about learning how to satisfy "what matters to them" (their audiences) but doing so while accommodating "what matters to me". We suggest therefore that skillfulness involves the ability to adjust legitimation work to appeal to a variety of audiences but without leaving the entrepreneur feeling overly compromised.

2. Introduction

"There are lots of bad reasons to start a company. But there is only one good, legitimate reason, and I think you know what it is: it's to change the world" Phil Libin, CEO of Evernote.

While a desire to express their personal values through their business and make a positive difference to society drives some individuals to embark on their entrepreneurial journey (Fauchart and Gruber, 2011; Miller et al., 2012; York and Ventakaraman, 2010), they must do so within constraints (Rindova et al., 2009). One such constraint on an entrepreneur's freedom to express their values is the need to gain legitimacy for their new ventures (Aldrich and Fiol, 1994). An entity is granted legitimacy when it is deemed "desirable, proper or appropriate within some socially constructed system of values, beliefs and definitions" (Suchman, 1995: 574), that is, when the entity is aligned with institutional norms. Recent research on new venture legitimation, refers to the need for "legitimate distinctiveness" (Navis and Glynn, 2011); new ventures face the specific challenge of not only demonstrating conformity with institutional norms but also distinctiveness (i.e., aspects of the business which are unconventional or novel) (De Clercq and Voronov, 2009). New venture legitimation therefore has been presented as a complex social process (Bitektine and Haack, 2015; Harmon et al., 2015; Überbacher, 2014; Voronov et al., 2013), involving interplay between audiences' interpretations and judgments and the strategic actions of entrepreneurs seeking to favorably influence these interpretations and judgments (Navis and Glynn, 2011). Studies of entrepreneurs who have successfully gained legitimacy for their new ventures suggest that they act as "skillful" users of symbolic actions (Zott and Huy, 2007) and as "skilled cultural operators" (Lounsbury and Glynn, 2001). Skillful legitimacy seekers can therefore be seen as individuals who are able to orient their stories and actions to appeal to their audiences (Lounsbury and Glynn, 2001). Importantly, this alignment with audiences' preferences and judgments is likely to constrain what entrepreneurs can and cannot do with their ventures. While on the face of it entrepreneurs may be skillfully acquiring legitimacy for their new ventures, we do not know what they have to sacrifice in the process. Rindova et al. (2009) suggest that the process by which entrepreneurs balance expressing their values and desire to make a difference with the constraints imposed by the legitimation process is a "fundamental paradox of the entrepreneurial dynamic, yet one that has been given only limited attention in entrepreneurship research" (p. 483). By turning attention to the role played by the entrepreneur's values and beliefs in the legitimation process, our research seeks to generate new insights into how entrepreneurs might address this paradox. Our research specifically asks: *How, and with what consequences, do entrepreneurs (skillfully) enact their values and beliefs in the new venture legitimation process?* We deploy the term "values and beliefs" to capture centrally held, enduring views which guide actions and judgments across specific situations and beyond immediate goals (Rokeach, 1968: 161). For the entrepreneurs we studied these included environmental and social justice values as well as the belief in the legitimacy of blending environmentalism with doing business.

To address this question we examined six new ventures over a period of four years and developed a process model of new venture legitimation in the setting of environmental entrepreneurship. Environmental entrepreneurs typically seek to enact

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