ARTICLE IN PRESS

JBV-05727; No of Pages 16

Journal of Business Venturing xxx (2014) xxx–xxx

Contents lists available at ScienceDirect

Journal of Business Venturing

The power of arguments: How entrepreneurs convince stakeholders of the legitimate distinctiveness of their ventures

Ruben van Werven *, Onno Bouwmeester [1], Joep P. Cornelissen [2]

VU University Amsterdam, De Boelelaan 1105, 1081 HV Amsterdam, The Netherlands

ARTICLE INFO

Article history:
Received 3 May 2013
Received in revised form 11 August 2014
Accepted 11 August 2014
Available online xxxx

Field Editor: Baker Ted

Keywords:
Argumentation
New venture
Legitimacy
Distinctiveness
Entrepreneur

ABSTRACT

Entrepreneurs gain positive evaluations when their stakeholders are convinced that a new venture is simultaneously legitimate and distinct. Prior research highlights that analogies are a powerful device for constructing such legitimate distinctiveness. We extend this work by providing a more comprehensive typology of arguments that, besides analogies, contains five additional arguments that entrepreneurs can use to gain legitimacy and support for their ventures. We use this rhetorical typology in turn to consider how the nature of the business concept associated with a new venture constrains the choice, and effects, of certain arguments. Our typology provides a base for future research on the micro-discursive processes through which entrepreneurs claim, and in turn achieve, legitimate distinctiveness for their ventures.

Executive summary

Assessing a new venture's potential for success is difficult due to the limited availability of information on these firms. As a consequence, stakeholders are often reluctant to commit to novel ventures. Yet, stakeholders may be willing to invest their resources if they arrive at a favorable judgment of the firm's legitimate distinctiveness after comparing it to other organizations. To evaluate a new venture's legitimacy, stakeholders engage in between-category comparisons, and assess whether the firm can be seen as a member of a particular category. To judge its distinctiveness, stakeholders evaluate to what extent a new venture differs from other members of the same category. Entrepreneurs therefore face the complex task of convincing stakeholders that their firm is both similar to and different from other organizations. Prior studies have only provided a limited overview of the micro-discursive processes through which entrepreneurs claim legitimate distinctiveness for their ventures, so we set out to answer the following question: how can founders of new ventures convince stakeholders that their firm is both legitimate and distinct?

Drawing on insights from argumentation theory (Brockriede and Ehninger, 1960; Perelman, 2008; Rieke and Sillars, 2001), we developed a typology of six arguments – arguments by analogy, classification, generalization, cause, and sign, as well as arguments from authority – that are available to entrepreneurs to persuade stakeholders that their venture is both legitimate and has distinctive potential. For each of these arguments, we consider how the novelty of the business concept affects new venture founder's ability to convince stakeholders. We generally argue that, compared to new venture founders who launch an incrementally novel product or service, entrepreneurs who introduce a radically novel business concept have fewer grounds at their disposal to support legitimating claims, but

* Corresponding author. Tel.: +31 20 59 89082.
E-mail addresses: r.van.werven@vu.nl (R. van Werven), o.bouwmeester@vu.nl (O. Bouwmeester), j.p.cornelissen@vu.nl (J.P. Cornelissen).
[1] Tel.: +31 20 59 86077.
[2] Tel.: +31 20 59 86079.

http://dx.doi.org/10.1016/j.jbusvent.2014.08.001
0883-9026/

Please cite this article as: van Werven, R., et al., The power of arguments: How entrepreneurs convince stakeholders of the legitimate distinctiveness of their ventures, J. Bus. Venturing (2014), http://dx.doi.org/10.1016/j.jbusvent.2014.08.001

find it less difficult to come up with grounds for distinctiveness claims. Furthermore, we argue that – with the exception of arguments by generalization – arguments made by entrepreneurs who developed a radically novel business concept have weaker warrants than claims put forward by entrepreneurs who commercialize an incrementally novel concept.

In developing our typology, we make three theoretical contributions. First, the typology advances the limited work on argumentation in entrepreneurship by providing a more comprehensive overview of the types of argumentation that entrepreneurs use to influence stakeholders. Second, we extend prior research on the concept of legitimate distinctiveness by adding detail on the micro-processes that lead to the attribution of legitimate distinctiveness to a new venture. Third, we contribute to a growing stream of research that takes a linguistic approach to the study of entrepreneurship. Those studies have largely focused on entrepreneurs' narratives or discourse. Our rhetoric-informed perspective adds an alternative, micro-approach to the role of language in entrepreneurship.

Our research has implications for practice as well. New venture founders who enter into conversations with stakeholders can use our typology to assess and improve the arguments they use to claim legitimate distinctiveness. The typology may, for example, help entrepreneurs who are preparing a business plan or a pitch for investors. Entrepreneurs who introduce a radically novel business concept could plan to draw an analogy between their firm and an established organization from a remotely related industry. Using our typology, however, they may realize that stretching an analogy may weaken the argument's warrant, and hence reduce its persuasiveness. Similarly, new venture founders who want to convince stakeholders of their incrementally novel business concept may become aware of the fact that claiming that their venture is distinct from other organizations is likely to be more difficult than claiming that it is legitimate. If entrepreneurs conclude that particular types of argument are not convincing, they can experiment with the other arguments in our overview, and either replace their initial argument or connect both arguments and thus create a chain of reasoning. Future research can explore how entrepreneurs connect individual arguments to convince stakeholders of the legitimate distinctiveness of their ventures.

1. Introduction

Firms that are similar to other organizations in their institutional environment, but at the same time differ from those organizations, have been found to perform well on a variety of measures, such as organizational productivity (Jennings et al., 2009), return on assets (Deephouse, 1999; McNamara et al., 2003; Norman et al., 2007), and product innovation (Tan et al., 2013). These findings suggest that founders of new ventures need to persuade stakeholders that their firm simultaneously fits in with, and stands out from, other ventures and businesses in its environment — that is, it is legitimately distinct (e.g., Jennings et al., 2009; Lounsbury and Glynn, 2001; Navis and Glynn, 2011). Most scholars describe the task of actually combining legitimacy and distinctiveness as complicated (Chaney and Marshall, 2013; Tan et al., 2013), given the seemingly contradictory goals of claiming similarity to, and difference from, other ventures and businesses. The question that this raises is how entrepreneurs are able to acquire such legitimate distinctiveness for their ventures, and specifically what rhetorical strategies they may use to this end. In other words, in this paper we set out to answer the following question: how can founders of new ventures convince stakeholders that their firm is both legitimate and distinct?

To address this question, we first discuss prior work on the notion of legitimate distinctiveness, which generally assumes that stakeholders compare organizations in broader terms and assign them to relevant categories (King and Whetten, 2008), such as markets or industries. Once a firm has been evaluated as being a legitimate member of a particular category, stakeholders will start making within-category distinctions between firms (Bitektine, 2011; Lamertz et al., 2005). When making these within-category comparisons, stakeholders assess whether an organization is distinctive from other organizations in the same category. In order to get stakeholder support, entrepreneurs therefore need to obtain the legitimacy that flows from being a member of a category, while at the same time highlighting their firm's distinctiveness from other rival firms. We argue that the careful use of arguments can help entrepreneurs present and build a firm that is likely to be perceived as legitimately distinct. Specifically, we turn to insights drawn from argumentation theory (Brockriede and Ehninger, 1960; Perelman, 2008; Rieke and Sillars, 2001) that allows us to develop a typology of arguments that are available to entrepreneurs to persuade stakeholders that their venture is both legitimate and has distinctive potential. Our focus is on nascent entrepreneurs – individuals who are 'in the process of establishing a business venture' (Dimov, 2010: 1126) – as these entrepreneurs have not yet realized any tangible results and are therefore most dependent on argumentation to convince stakeholders. We highlight how the freedom these entrepreneurs have to choose certain arguments is constrained, and how, depending on the specific nature of the business concept, a certain set of arguments is more (or less) likely to garner legitimate distinctiveness, and in turn support from key stakeholders.

In developing this overall argument, we aim to make three contributions. First, the typology that we develop advances the limited work on argumentation in entrepreneurship by providing a more comprehensive overview of the types of argumentation that entrepreneurs may, and indeed do, use to influence stakeholders. Prior work on the rhetorical efforts of entrepreneurs has mainly focused on the role of analogies (Cornelissen and Clarke, 2010; Etzion and Ferraro, 2010; Hill and Levenhagen, 1995; Navis and Glynn, 2011), and fails to acknowledge that other arguments can effectively be used to convince stakeholders of a new venture's legitimate distinctiveness. Our typology therefore includes five additional arguments, and specifies their effects on stakeholders' evaluations of new ventures, thus broadening the perspective of future research on the argumentation strategies of entrepreneurs. Furthermore, we discuss the constraints around using specific arguments. Although entrepreneurs may have some freedom to choose certain arguments (Corvellec and Risberg, 2007; Golant and Sillince, 2007; Martens et al., 2007), such choices, as we will demonstrate, are significantly curtailed. In particular, when an entrepreneur develops a radically novel business concept, we expect that assigning the firm to a legitimate category of organizations is difficult due to the lack of similarities with existing organizations. As a consequence, fewer grounds are available to support legitimating claims. The lack of grounds makes it harder for entrepreneurs to support their claims with evidence, and eventually gain legitimacy for their ventures. Equally, due to the inherently uncertain nature of radically novel undertakings (Navis and