



# From propriety to validity in new ventures: A nine-year study of three startup companies

Elin M. Oftedal<sup>a,\*</sup>, Lene Foss<sup>b,c</sup>, Matthew W. Rutherford<sup>d</sup>

<sup>a</sup> Institute of Media and Social Sciences, University of Stavanger, Norway

<sup>b</sup> School of Education and Communication Jönköping University, Sweden

<sup>c</sup> School of Business and Economics, UiT-the Arctic University of Norway, Norway

<sup>d</sup> School of Entrepreneurship, Oklahoma State University, USA

## 1. Introduction

New ventures introducing new technological innovations must, to survive, negotiate legitimacy with stakeholders who provide critical resources (e.g., Zimmerman and Zeitz, 2002). Legitimacy - “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574, p. 574)—is important for all organizational forms, but particularly challenging for new ventures introducing innovative technologies, because of their inherent liabilities (Stinchcombe, 1965; Aldrich and Fiol, 1994). Being perceived as appropriate represents a critical precondition for resource acquisition, growth, and survival; fortunately, extant research has provided an increased understanding as to how legitimacy is constructed and maintained (e.g., Suddaby et al., 2017). For example, we now understand that creating legitimacy increases new ventures’ chances of survival (Delmar and Shane, 2004), that new ventures can employ various strategies to acquire validity (Tornikoski and Newbert, 2007), and that one or more thresholds of legitimacy likely exist (Fisher et al., 2016; Rutherford et al., 2016).

However, while this research has elucidated some aspects of legitimacy, our understanding of the specific actions by which new ventures interact with audiences to create legitimacy judgements with stakeholders—the microprocesses—remains limited (Überbacher, 2014; Zott and Huy, 2007). This is because the preponderance of literature conceptualizes legitimacy as a structural, collective consideration only, leaving more micro properties of the construct underexplored. These individualistic, or propriety, judgements, on the micro level differ markedly from the more commonly studied validity judgements, on the structural level. Even among those studies that do engage in more micro considerations of legitimacy, very few recognize the ontological distinction between propriety and validity.

This distinction matters because these propriety judgements

represent the genesis of legitimacy, which is what new ventures are pursuing: legitimacy creation. Unfortunately, though, our understanding of how ventures interact with key audiences to affect stakeholders. Legitimacy judgements remain stunted, because of the focus on validity. This neglect of propriety in the literature is not difficult to understand, as the necessary study design to capture these judgements requires prolonged, intimate engagement with venture founders and stakeholders as they work through the process of emergence.

An ideal context within which to conduct research on the micro-foundations of legitimation is the “primordial ooze” of organizational creation (Dimov, 2010; Barney and Felin, 2013). We situate our study in this context by following three new companies in the earliest stage of their commercialization processes. We apply a semi-longitudinal multiple case study approach by tracking three new technology-based ventures—labeled Alda, Dox, and Haf—for nine years. We develop an initial inductive logic (Siggelkow, 2007) from interviews with entrepreneurs and stakeholders. This allows us to observe, firsthand, the dyadic strategic legitimizing actions of ventures—and subsequent judgements of stakeholders—as these ventures emerge and develop around the commercialization of their new technologies.

Our findings reveal that there are a limited number of levers that entrepreneurs can pull to affect these individual propriety judgements. Namely, negotiating these judgements involves both relational levers and technological levers, and through our research we explicate entrepreneurs’ relational and technological legitimizing tactics. Theoretically, we expand the boundary conditions of the theory of cultural entrepreneurship (e.g., Foss, 2004; Lounsbury and Glynn, 2005; Gehman and Soublière, 2017), and the nested conception of optimal distinctiveness (e.g., Zhao et al., 2017a,b) by outlining how entrepreneurs give conforming sense, as well as differentiating sense, in tandem to encourage stakeholders to grant propriety. Further, though we focused primarily upon understanding how ventures created these propriety judgements, our findings also allow us to theorize about how

\* Corresponding author.

E-mail address: [elin.m.oftedal@uis.no](mailto:elin.m.oftedal@uis.no) (E.M. Oftedal).

these individual judgements may be negotiated and then aggregated into validity judgements. In this way, we also contribute to the broader multilevel theory of the legitimacy process (Bitektine and Haack, 2015).

In the next section, the theoretical framework that informs our empirical design and data collection is outlined. In the theoretical expansion in the second half of the manuscript, we draw upon this logic in revealing how judgements of propriety are co-constructed and how they may evolve into judgements of validity.

## 2. Theoretical background

### 2.1. The microfoundations of legitimation

Legitimation refers to the “process by which cultural accounts from a larger social framework in which a social entity is nested, are construed to explain and support the existence of that social entity” (Berger et al., 1998, p. 380). Legitimation, then, is a process of social construction wherein ventures make a case for their right to exist and audiences assess this case to make a judgement. The study of this process has proven elusive for myriad reasons; two key explanations have been offered: (1) the legitimacy construct is inherently latent, and even among latent constructs is acutely challenging to measure (e.g., Haack et al., 2021); and (2) the collected literature is fragmented (Überbacher, 2014), and as a result possesses “fragile conceptual moorings” (Suddaby et al., 2017, p. 471), making it difficult to draw from and expand upon.

Regarding the former issue, legitimacy cannot be taken, it must be granted and ultimately exists only in the mind of the beholder; so, barring some ability to observe a stakeholder’s cognitive functioning, the construct will remain hidden from view. To address this vexing truism, Suddaby et al. (2017) suggest expanding our methodological toolkits. We embrace this advice by engaging in an inductive semi-longitudinal study wherein we insert ourselves into three new ventures and categorize their activities as they move through legitimation. This design meshes well with the latent nature of legitimacy, because though it is still unobservable, we can observe the manifestations of legitimacy judgements (e.g., language, behaviors). These manifestations represent a proxy that is less distal than proxies from other research designs (e.g., archival data collection and analysis). In addition, we are afforded the opportunity to observe the sensegiving tactics that are employed by the venture to affect these judgements, in something akin to real time.

To counter the latter issue—literature fragmentation—the same authors recommend that scholars clearly state their chosen operationalization of legitimacy by answering three questions: (1) What is it? (2) Where does it occur? and (3) How does it occur? Consequently, research can draw upon and inform the proper subset of legitimacy scholarship. In this paper, we build upon work from “legitimacy as perception” scholars (e.g., Bitektine and Haack, 2015; Tost, 2011; Walker et al., 1986) to execute our data collection and subsequent analysis. When operationalized as a perception, legitimacy is a “a social judgement” and a “socio-cognitive construction” that exists between individual actors and occurs at the micro level “through perceptions, judgments, and actions of individuals under the influence of collective-level institutional judgments” (Suddaby et al., 2017, p. 453).

This focus on legitimacy as a relational, socio-tropic conception leads naturally to the paradigm of cultural entrepreneurship, which outlines the process by which entrepreneurs, as skilled cultural operators, draw upon available resources to give sense (i.e., tell stories) in a manner that results in legitimacy judgements from key stakeholders. These judgements, then, lead to additional resources being bestowed upon the venture by these stakeholders. Through this process, the virtual can become actual (Hjorth, 2022). The sensegiving construct, which is a psychological process through which a sender (i.e., entrepreneur) influences the perceptions of an audience (i.e., stakeholder) related to events and information, is a particularly critical concern in cultural entrepreneurship theory. Sensegiving naturally goes hand in hand with

sensemaking. Consequently, cultural operators are both “sensemakers and sensegivers” (Lounsbury et al., 2019, p. 1219). Sensemaking involves the explicit comprehension of circumstances that serves as a springboard into action (Weick, 1995), while sensegiving is the “process of attempting to influence the sensemaking and meaning construction of others” with the goal of “fostering a redefined reality” (Gioia and Chittipeddi, 1991, p. 442). Highlighting entrepreneurial agency, cultural entrepreneurship theory focuses upon the role of symbolic elements (e.g., language, analogies, metaphors, discourse, narratives) deployed as cultural resources as a way to build legitimacy judgements with stakeholders (Foss, 2004; Hilkamo and Granqvist, 2022; Lounsbury and Glynn, 2005). Just as Hjorth (2022) advocates for cultural entrepreneurship to be more cultural, by inquiring how concepts, plans, recipes, rules, and instructions govern and are battled in the emergence of the organization-creation process, we add entrepreneurial judgements to this list.

Nested within the broad theory of cultural entrepreneurship is the idea that, to create these judgements, entrepreneurs must give sense in a way that achieves optimal distinctiveness by simultaneously conforming to industrial norms while also differentiating the venture from competitors (Zhao, 2022; Vossen and Ihl, 2020; Navis and Glynn, 2010). Unfortunately, like virtually all legitimacy research, these paradigms assume that validity judgements are being pursued, when in fact, these judgements are more aptly characterized as judgements of propriety, at least when referring to new ventures. We suggest that this notion of propriety needs to be further developed and incorporated into the cultural entrepreneurship framework, because it is exactly these more individual judgements that new venture entrepreneurs, as cultural operators, are attempting to secure.

### 2.2. Storytelling for propriety judgements

Contrasted with propriety judgements, validity judgements about a firm are more passive in nature (Bitektine and Haack, 2015) and therefore can be far easier to negotiate. They are more passive because the stakeholder is not scrutinizing the venture, but instead simply interpreting the broad understanding that society already possesses about the venture. In this way, individuals making validity judgements are not actively scrutinizing the attributes of the firm, but simply “going with the flow.” Unfortunately, these easier-to-construct validity judgements are often not available to new ventures as very few judgements about the firm exist yet. Consequently, there is no collective view for stakeholders to refer to. By contrast, in more mature firms, often many judgements about the firm have already been made and an individual stakeholder is more focused upon this accumulated societal view than they are on thinking about the actual focal firm.

Research suggests that individuals evaluating young, risky firms must be persuaded to overlook the zeitgeist and instead engage in an active assessment process (Tost, 2011). To highlight the distinct nature of propriety judgements, Bitektine and Haack (2015) state that actors are actually seeking to generate “deviant judgements” from evaluators (p. 55)—judgements that go against the grain. To broker these deviant judgements, founders must skillfully “battle against governing control mechanisms” by locating and persuading select key stakeholders to endorse their venture (Hjorth, 2022, p. 87). It is difficult to garner these judgements that do not align with the collective judgement, because being new is tenuous and, on average, endorsing newness is bad practice. As Zhu and Westphal (2011) report, even if evaluators hold positive propriety judgements about an entity, they are likely to suppress them if they are not aligned with the collective verdict.

Propriety judgements are critical for ventures, yet understudied (Barney and Felin, 2013). We are aware of virtually no research explicitly examining propriety in the context of new ventures. Even within the limited enlightening literature involving individual judgements made in the new venture context (e.g., Chapple et al., 2022; Garud et al., 2014; Hampel et al., 2020; McDonald and Gao, 2019;

Überbacher et al., 2015), researchers have ignored theoretically developing the distinct ontological nature of propriety from validity. We claim that the field is missing a crucial opportunity to distinguish the actions of legitimation, theoretically, and reveal what actions entrepreneurs can take, practically, to affect these judgments and bring something new into existence. Through these entrepreneurial actions, legitimation begins with propriety negotiated with early stakeholders, spreads to additional stakeholders, and ultimately can lead to the more comprehensive judgements of validity.

### 2.3. Summary

As argued by Weick et al. (2005), businesses are talked into existence, and sensegiving via stories is therefore essential in giving life to something that is emerging. It is a way of making the equivocal non-equivocal by placing the unknown or unfamiliar into a context that makes sense to the audience (Gartner et al., 1992; Hjorth, 2022). Cultural entrepreneurship outlines the process by which skilled cultural operatives, via sensegiving, transform entrepreneurial stocks of capital (resource and institutional) into legitimacy. In the sections that follow, we outline how we observed these everyday legitimation activities (i.e., sensegiving tactics) that occur in new ventures by inserting ourselves into ventures and patiently observing their development.

We focus our analysis at the venture level and investigate how these judgements propel the venture through legitimation. Our micro-foundational approach allows us to assess the creation of property judgments, and we evaluate these judgements by investigating the activities and communications of the venture leaders and their stakeholders. We adopt this approach because “legitimacy judgment formation requires attention to evaluators’ cognition, which manifests itself in the communication and the nonverbal actions of these actors” (Bitektine and Haack, 2015, p. 50). Next, we describe how we examine these exchanges by identifying emerging firms and tracking their communication and activities, and those of their respective stakeholders.

## 3. Method

### 3.1. Case design

Given the limited theory and evidence for our research question, we conducted a theory-building, multiple case study (Eisenhardt, 1989; Eisenhardt, 1989). We adopted a racing design (Hannah and Eisenhardt, 2018; McDonald and Eisenhardt, 2020; Ozcan and Eisenhardt, 2009) where similar cases, with similar initial conditions, “race” (i.e., create propriety) to some natural endpoint (i.e., validity). This case design is particularly useful for process questions and studying elusive areas such as legitimation (Hannah and Eisenhardt, 2018; Eisenhardt, 1989). We follow Pauwels and Matthyssens (2004) in constructing our study through theoretical sampling, triangulation, pattern-making logic, analytical generalization, and validation through juxtaposition and iteration.

We utilize data collected in the period from 2008 to 2017 among three startups in the Norwegian petroleum industry. The petroleum industry, both in Norway and internationally, is characterized by strong institutional settings that guide and regulate its operations (Norwegian Petroleum Administration, 2023; Norwegianpetroleum.no, 2023). The study took on a semi-longitudinal research design, as firm validity was a moving target. Only in the end (2017) did one company reach the finish line. However, the two “losing” companies also provide rich insights to the legitimizing journey. In applying the race metaphor, this fact proves that early judgement collections are highly valuable for establishing the finishing line.

### 3.2. Context and case

The study is set in the Norwegian petroleum industry, a sector that is particularly compelling due to the global reliance on oil and the associated debates surrounding climate change (Heede, 2013; Ekwurzel et al., 2017; Skjærseth and Skodvin, 2001).

The Norwegian petroleum industry, accounting for 6% of the national workforce and contributing 26% to the Norwegian GNP (Norsk Petroleum, 2023), is a crucial component of the country’s economy. Norway’s stringent regulations in areas like safety, security, environmental protection, and occupational health further complicate the implementation of new technologies, making the process more rigid compared to other sectors like software (Ryggvik, 2015). This industry, while traditional and defined by robust institutional frameworks (Norwegian Petroleum Administration, 2023; Norwegianpetroleum.no, 2023) faces the challenge of innovation in a field where many nations depend on conventional methods. Understanding how to introduce novel approaches in such sectors is crucial, especially as they increasingly come under scrutiny for political and environmental reasons. The need to rejuvenate and enhance these industries is becoming more pronounced. In such a setting, the introduction and validation of new concepts, therefore, can be particularly challenging. The prevailing institutional frameworks often restrict the agency, posing difficulties for individuals and entities aiming to initiate or implement changes within these structures highlighting the importance of a sophisticated understanding of effectuating change in well-established industries. Thus, gaining legitimacy is vital for success in this industry. Additionally, the high level of transparency in Norway facilitates access to reliable data, aiding in this process (Thurston, 2013).

In our study, we employed a theoretical sampling strategy, which necessitated initial selection criteria (Pauwels and Matthyssens, 2004; Glaser and Strauss, 1967/2014). We targeted ventures at similar commercialization stages within comparable sectors, with an emphasis on startups ready for technology commercialization and interested in legitimization through third-party endorsements. A list provided by the Confederation of Norwegian Enterprises helped identify four companies fitting our criteria. However, with one company unable to participate, our final sample comprised three firms—Haf, Dox, and Alda. Founded between 2003 and 2005, all three companies specialize in subsea technology for drilling and exploration. The similarity among these cases was beneficial in reducing variances and focusing on their trajectories from startups to established entities. This approach enabled a process study to unfold, observing each firm’s development journey (Kouamé and Langley, 2018). For a more detailed description of the three companies, Haf, Dox, and Alda, and their related characteristics, see Table 1.

### 3.3. Data collection strategy

For data source triangulation (Pauwels and Matthyssens, 2004), we retrieved our data from multiple sources: (1) interviews with focal firm executives; (2) interviews with stakeholders; (3) emails and other correspondence; and (4) document studies, including press releases, corporate documents, online discussion forums, and reports. While the interviews were explorative at first, they became more targeted as we identified key sensegiving activities in the companies. The average duration of the interviews was 1 h, and the transcribed versions varied from 10 to 22 double-spaced pages in length.

#### 3.3.1. Interview data from key insiders

Nine interviews were conducted in three rounds between October 2008 and April 2009 with employees in strategic positions inside the company (i.e., founder, CEO, CFO, CTO), as well as management team members. In addition, we conducted three follow-up interviews in the spring and fall of 2011, in 2013, and finally three more interviews in 2017 (18 in total). We engaged in an exploratory strategy by posing open-ended questions and allowing our interviewees to speak freely. We

**Table 1**  
Description of cases.

Venture Characteristics	Haf	Dox	Alda
Founded year	2005	2003	2003
Idea	Industry based (from technology foresight).	Research based.	Industry based (from practical experience).
Technology	Patented.	Patented.	Patented.
Competence of CEO	Engineering and business degrees, 10 years' experience in innovation/technology development.	Experience from a petroleum company and supplier industry.	Civil engineer.
Competence of team	Various industrial experience in technology development.	Senior employees with extensive industry experience combined with "fresh" PhDs.	No team: everything relies on the founder.
Competence of board	Seniors from industry and investors. Four board members hold a total of 48 board memberships. Substantial resource base for the company.	Seniors from industry and investors. Five board members hold a total of 46 board memberships. Substantial resource base for the company.	CEO and an investment fund.
Market niche employees	Drilling and exploration technology. A mix of fixed employees and consultants.	Exploration technology. Fixed employees.	Installation of equipment on seabed. CEO and industry adviser working as consultants. No employees.
Founder	One of the founders works in the company; another was hired as a consultant.	Owens 1.3% of company but is not active.	Owens the majority of shares.
Ownership structure	Venture fund owns 28%, founders own 14%, each (4 founders) and others own 16% (this changed during our project).	On the Oslo stock exchange.	Founder owns 89%, a technology park owns 8%, and the chair of the board own 3%.
Planned commercialization	2009 (first product).	Planned start in 2009.	Planned start in autumn 2008.
Relationships with potential customers	A petroleum company bought a substantial share in the company.	Has right of first refusal contracts with three petroleum companies.	Negotiating.
Estimated date of market entry for the product	First product in spring 2009. Completed product in 2013.	End of 2010.	2009.
Actual market entry	2016	Never	Never
Strengths of technology	Reduced cost, increased safety, decreased environmental damage, increased automation, and reduced risk to personnel.	Reduced cost and decreased environmental damage.	Reduced cost, decreased environmental damage, and increased reliability.

avoided leading questions and used probing techniques to learn more about certain themes. While the interviews were open and explorative in the beginning, as we started to understand the participants' concerns, we focused more on the ventures' latest developments and challenges later in the interview rounds. We then asked questions to identify if they still focused on the same activities as earlier. Further, we asked questions to recognize changes within and around the company, and finally to acknowledge objective performance criteria.

### 3.3.2. Interview data from key stakeholders

We interviewed several external sources, such as partners, board members, consultants, and shareholders. For each venture, nine interviews were conducted. We were interested in understanding their view and judgments of our case firms. We allowed interviewees to speak freely about key topics and avoided leading questions; however, we gently guided them to more focused themes.

### 3.3.3. Document study data

We applied document studies recorded from company websites, newspaper articles, business registries, firm presentations, and public debates. Based on this documentation, we developed timelines and achievements for each of the companies. Dox, because it was publicly listed,<sup>1</sup> was particularly transparent, with several debates on a website forum for stockholders being visible to all interested parties.

## 3.4. Analytical procedure

The data were processual, focusing on understanding how issues evolved over time and why they evolved in certain ways (cf. Langley, 1999; Gehman et al., 2018). We used the term "journey" to illustrate the processual nature of these case data. Langley (1999) outlines several ways of interpreting process data to achieve accuracy, simplicity, and generality. Further, more than one method is possible. Consequently, we

<sup>1</sup> It is not uncommon for new firms to be publicly listed on the Oslo Børs Stock Exchange.

moved "beyond authenticity" by first applying a narrative approach and thereafter using grounded theory to build categories to inform theory (Langley, 1999). We also use a form of Langley's (1999) "quantification strategy" (p. 697) where we give value to our categories, and compare it (Table 2), and use it in our discussion.

Following the cultural storytelling framing, we searched for evidence of dyadic and dialogical construction of propriety judgements (i.e., skilled cultural operations); that is, the sensegiving and sensemaking actions undertaken by the venture teams and their stakeholders. During the first round of interviews, the representatives of the firms informed us about the history of the firm and current challenges. To ensure credibility (Lincoln and Guba, 1985), we transcribed each interview immediately after the interview was accomplished. We applied a version of pattern-matching logic to explore the data (Pauwels and Matthyssens, 2004) by starting without a predicted pattern, and then letting the pattern emerge from the data inductively through a line-by-line approach (Hsieh and Shannon, 2005; Siggelkow, 2007). We compared the patterns of each firm to each other (Eisenhardt, 1989) and realized that in each case, the venture embarked upon two parallel sensegiving paths to the finish line: a *technological* path and a *relational* path (which became our first codewords). We used our insights as a predicted pattern and let a theory form upon how these developed over time.

We compared any emerging pattern in our subsequent interviews in 2008 and 2009 and found that relational and technological propriety were concentrated around certain activities. Consequently, the coding took on a more deductive phase, where theory was actively applied to make sense of the data. Thus, in the interviews performed from 2011 through 2017 we endeavored to understand more general developments and events (i.e., sensegiving by the ventures), as well as external evidence of legitimacy (i.e., sensemaking by the stakeholders), such as investments, partners, and customers. As such, we iterated between literature, data, and emergent theory to rationalize about the "whys" of the emergent association among themes (Eisenhardt, 1989). The stakeholder data was coded for signs of propriety judgements—negative or positive. Further, secondary data, including company websites and reports, were referenced to clarify our understanding of the respondent in question.

**Table 2**  
Cultural storytelling outcomes.

	Haf	Dox	Alda
Propriety Judgments from stakeholders	Judgments are more positive through the period	Judgments are more negative through the period	Judgments are low, but positive towards the end
2009	People behind Haf are experienced business developers and technologists.	<i>It's a high-risk, high-reward endeavor. You know, we do it for prestige, but most of all to gain access to technology.</i>	<i>"I would say that this invention is nothing short of brilliant in its simplicity (2009+)</i>
2011	<i>Competitors could never match Haf in speed and geniality, so stakeholders wanted to joint Haf's project ...</i>	<i>Dox has certainly not kept to the program at all. In 2007, Dox should finish the technology by the end of 2008, and they have not even confirmed parts of their technology</i>	<i>The technology does not have any 'wow' factor. «The founder did not convince the industry, as he didn't have an organization around him.</i>
2013	<i>"Suddenly, you see, 'this is the way! And we are buying into it,'</i>	<i>... It's like going to the moon before making a paper airplane—sometimes, you can describe the unbelievable so that it becomes believable."</i>	<i>The technology is in a 'recovery position', so no bridges are burnt, ... But of course, it's clear that as time passes, you start wondering if this is ever going to work</i>
2017	<i>We believe greatly in this technology. 2017</i>	<i>The investors that are going in now, do it for the huge deficits and to write off their profits.</i>	<i>The founder finally found the network he needed in the first place (2017+)</i>
Number of employees			
2008	5	17	0
2011	6	15	0
2017	6	2	12
Owning partners			
2005	1	3	0
2008	1	3	0
2011	1	3	0
2013	2	9	0
2017	Exit	Consortium	0
Planned first sale	2009	2009	2008
First sale of first technology	2016	Technology shelved	Technology shelved
Pivot	Slightly	New product, new owners, new market, new employees	Same competence, same market, same founder, new technology
Cumulative external funding	\$70 million	\$50 million	\$10 million
Public funding	\$20 million	\$60 million	\$3 million

We assumed confirmability and dependability of the data (Lincoln and Guba, 1985). As they were collected from many different sources, the interviews were transcribed in two languages and codes were discussed among the authors. As the data was rich and respondents spoke in an informal way, we ensured the meaning of the quotes and we also shortened or drew together parts of a quote, though making sure the respondents' intentions came across. Transferability, pointing towards the generalizability of the study, is assessed in the limitations of the study.

#### 4. Findings

In this section, we first provide a narrative of each venture's journey from startup, through development, and to the end. We employ the term "journey" here to reflect our "racing" research design. This term also communicates that there is an adventurous trek from startup to failure/success. After broadly outlining each venture's journey, we then delve deeper into the findings of propriety activities and judgments.

##### 4.1. The legitimacy journey

The ventures (Haf, Dox, and Alda) demonstrated both consistencies and variability in their efforts to build legitimacy with stakeholders, despite operating in similar markets with similar stakeholders in the same timeframe.

###### 4.1.1. Haf

Haf was the textbook example of a successful startup and demonstrated consistent development throughout the study. The company earned initial positive assessments from its stakeholders and seemed to follow a linear developmental trajectory; its legitimacy increased consistently and positively in line with the company's growth and value. Having started up in 2005, Haf won second place in an important

national innovation award among 327 ideas in a national competition. Further, Haf was supported by the Norwegian Research Council and Innovation Norway. Haf used well-documented technology in groundbreaking new ways and worked diligently to deliver on important milestones. This allowed the venture to negotiate multiple positive technological propriety judgements. In 2007, the company acquired major important investors and had extensive positive press coverage. In 2008, the first of five critical components of the fully automated drilling process were ready for full-scale testing and showcased at the most important meeting point for the industry (ONS). At that point, phase two of the technical development started with a full-scale prototype of a fully automated drill floor being manufactured and tested. The firm focused on technology integration, assuming the technology would be easy to operate. All tests performed as expected, and no delays occurred. The firm's technological development impressed stakeholders, which in turn resulted in new investments. Over the following years, Haf was nominated for, and the recipient of, important innovation prizes. It continued to make agreements with new partners, which released new millions for the company.

With dropping oil prices, the company postponed its plans for subsea development. However, as the technology was effective even on land, Haf pivoted towards land-based operations. Thus, in 2012 it changed its name, as the technology had a wider market than first anticipated. Further, it signed an information-sharing agreement with NASA, which was a high point in its relational propriety. At this point, we saw evidence of validity judgements being conferred upon the venture. That is, positive audience judgements about the firm were made with relatively little scrutinizing of the firm itself; instead, they seemed to focus more on the collective judgement of appropriateness about the firm.

In 2014, Haf signed an agreement with an investor with the competence and resources to take the company further. The first sales of the technology appeared in 2016, and 100% of the company was ultimately sold in 2017. The technology was successfully commercialized,

and the company successfully exited.

#### 4.1.2. Alda

Alda began its journey with an idea the founder developed. Alda was registered in 2003 around a technology that the founder developed while working as a consultant for a major international oil company. The founder obtained financing from the Norwegian Research Council and grants from a national petroleum company. Compared to the other companies, Alda was reserved in attracting relational propriety judgements from partners and investors. The founder owned 89% of the company and highly identified with the company itself. The technology was tested in 2006 in cooperation with a major partner and no problems were encountered (technological propriety). However, while the technology was deemed radical and termed “brilliant” in itself, there were issues with finding a good market fit. Further, Alda did not have the resources to enter the market on its own. A potential partner with compatible resources was needed for Alda to succeed; thus, the search for a partner began. Alda had acquired a worthy reputation and beneficial network, and eventually found a candidate who matched well. Negotiations started for the company to acquire Alda and lasted from 2008 until 2010. Further testing took place during this time. In 2010, Alda and its partner could not agree on the right conditions for a takeover and the founder of Alda went back to consulting and shelved the technology.

Yet, the founder kept the company and continued as a consultant for the petroleum industry. In 2011, Alda’s founder was first hired to join an expert panel investigating systems to prevent oil leakage into water and was asked to lead the project. The founder decided to lead the project through his company and hired employees. The project led to a high revenue, resulting in a peak year in 2012 for Alda of 20 million NOK (US \$2 million). The progress continued in 2013, yet in summer 2014 the oil crisis started, and the market took a negative turn. From 2014, there were fewer assignments and stiffer competition for these assignments. Alda experienced a consistently tougher market and reduced its staff during 2015 and 2016. In 2017, the firm was only offered smaller projects in addition to maintenance agreements. However, an opportunity arrived as the national oil company, universities, and research institutes formed a new project in northern Norway. Alda considered the rising climate focus as a new market opportunity.

#### 4.1.3. Dox

The extreme case in our data is Dox, which technology was described as a “moon landing” and was conceived as a high-risk, high-reward project by stakeholders. While the idea itself centered around commercializing a research-based innovation, its disruptive potential attracted extremely high-profile partners (relational propriety). As a result, the firm quickly went through several important events: It received grants from the Norwegian Research Council and a local research company, won various innovation prizes, and attracted large investments from three high-profile international oil companies. In many ways, Dox was a flagship company for the local university and knowledge sector and was indeed aligned with values and cultural settings in the region. This led to high initial investment in the company that enabled significant economic freedom for Dox, which invested in expensive offices and highly competent engineers and acquired an entire separate engineering company abroad. The management displayed full confidence in the technology and had grand visions of building an important tech company, which could transform the business and make the old technology obsolete. However, in 2008, Dox was challenged as important tests failed, which stunted its ability to broker technological propriety judgements. It experienced problems with testing, and progress was not made beyond the initial tests. At the same time, the challenges led to both observers and stakeholders being steadily more critical of the project, which finally resulted in replacement of management in 2011. Several changes took place, starting with a technology demonstration program, where ambitions for the

technology were reduced and possible integration into existing technologies was assessed. Finally, the holdings in the foreign engineering company were gradually sold and the organization’s size was reduced.

Despite a high financial deficit in the company and a failed technology, the original investors, who were well positioned and networked, opened doors to new partners and investors. Interestingly, one observer described the original stakeholders as “hostages” of Dox, as they very publicly supported the company in the first stages of its development. Therefore, admitting its “failure” would have also affected *their own* reputations. As a result, there was great effort to “save” Dox, and its powerful partners engaged in onboarding new partners. So, relational propriety judgements continued to be conferred upon Dox, but technological propriety judgements were not.

However, as the technology still was not progressing, there was another change of management. During this phase several international oil companies joined the demonstration program. In 2017 a highly visible share issue worth 400 million NOK (US\$40 million) was carried out. Several investors with predatory profiles invested in the company, leading to discussion in national and social media about the destiny of the company. There was a final change of management and the company pivoted into a non-innovative, but profitable, industry sector, and focused less on developing the original groundbreaking technology. Dox changed name, employees, management, product, and markets. The original technology was then shelved.

## 4.2. Cultural storytelling for propriety judgements

Since cultural entrepreneurship outlines the process by which skilled cultural operatives transform entrepreneurial stocks of capital (resource and institutional) into legitimacy, our theoretical framing directed us to focus upon these resources and how they are mobilized (via stories) to negotiate judgements of appropriateness (relational and technological propriety) in this highly established institutional context. There is clear evidence in our data of this cultural storytelling. Dox and Haf demonstrated substantial concern about how they drew upon stocks of capital to construct and relay stories and were constantly aware of the context in which they were operating. In the end, these two ventures more effectively transformed the virtually real into the actual and this is evident in the outcomes achieved (c.f. Hjorth, 2022).

Haf, for example, was very deliberate in repeating stories to their prospective partners and investors across company levels, to achieve a consensus about their technological capital: *“If you present the technology to a potential partner—and I tell about Haf and they have never heard about it, they will dismiss it, but if they’ve heard about it one time before and recognize it there is total different attitude. Likewise, if you only present to the boss he will say, ‘Yeah it looks really great’, but if you don’t get the technical people to approve it, they might reject it. So, you need to repeat the story”* (Haf, CEO, 2008). Similarly, Dox focused upon understanding the codes of the industry (i.e., institutional capital) and worked to communicate how they integrate with the industry: *“Our background as petroleum engineers makes us understand the needs of the oil companies, understand the way they talk, their terminology, codes and the way they think, and we position ourselves accordingly. So, we have the advantage of understanding our industry. So that’s one thing to bring: that we speak the same language”* (Dox, CEO, 2008). We recognized these intentional stories, constructed with mode existing stocks of capital (technological and relational), as quests for propriety judgements (technological and relational). To better understand the nature of these stories, we immersed ourselves in the data to further disentangle what they constitute. The milestones and outcomes of each venture’s journey can be seen in [Table 2](#).

### 4.2.1. Storytelling for technological propriety

It became apparent that all three ventures drew upon their “brass tacks” technological accomplishments to support their quest for propriety. To be more precise, they drew upon three stocks of capital to construct and relay stories:

- (1) Demonstrating novelty was considered crucial in raising interest among stakeholders. *“It’s clear that when the technology is groundbreaking, people get very excited”* (Dox CEO, 2009). Haf elaborated on the importance of technology as follows: *“We received a price for the innovation itself, and for us it’s one thing that says, these guys have got something here. That it’s patentable is another thing, that says this is innovative. And when a large company commits research money, then it’s worth having a look at. Also, when the Research Council says that this is on top of our list, this is also a validation, so these are very important things, you know. (Haf, CEO, 2011)”* In fact, all the companies acquired their first partners and investments solely based on the novelty of their technologies, making this activity a critical part of technological propriety, as stated by one of Haf’s stakeholders: *“Partners come to Haf because they want to be associated with their technology”* (Haf Stakeholder, 2009).

At the same time, we noted that novelty may be a double-edged sword since uncertainty about the functionality and usefulness of the product arises. Haf stated that *“When the industry doesn’t know the technology, they tend to be frightened, but we combine known technology, already tested technology, and that’s a big difference”* (Haf, CTO; 2009). Alda’s founder also thought it was a challenge because it could cause disruption in the industry: *“My system is new, and that is risky”*. (Aldrich and Fiol, 1994). Further, as Haf’s founder remarked, the novelty aspect is time dependent. Thus, the two next aspects of technology propriety focused on reducing uncertainty. Haf was especially concerned about its potential customers trusting, managing, and understanding the technology, and this resulted in a high focus on testing and on integration.

- (2) Demonstrating technology functionality through testing: Next to novelty, the testing of the technology was the most important part of the technology propriety. Testing may be the most important evidence for the entrepreneur’s stories, and it is imperative that this is successful. The companies performed differently on the tests. Alda had performed two tests by 2009, which both had gone well. The firm was waiting for a final complete test to be done together with a partner. *“We got the basic equipment working the first time we tested it, though with minor challenges. Then, we got funding, and we built a new prototype and tested it. It was the first time it worked properly, and we qualified the equipment through the testing. (Aldrich and Fiol, 1994)”* Haf was anticipating problems and delays in its development and testing. However, the firm experienced fewer problems than anticipated: *“We have had a time schedule, including no ‘big surprises.’ And the problem is, if you get a big surprise, you have no idea how long it takes. So, it may take a month, and it can take two years to move past it. ‘So, it’s not like we put in six months extra, and stuff like that.’ We haven’t had any delays; however, you can say in a project like ours that you will surely always end with delays because it is so impossible to plan. (Haf, CTO, 2011”* Finally, Dox had major problems testing its technology. In 2009 it was already 1.5 year late, and through the following year made little progress. *“We have not come any further with the test we were talking about at the time”* (Dox CEO, 2013).
- (3) Demonstrating technology usefulness through integration: Finally, in the quest to raise stakeholders’ confidence in the technology, integration of the technology was an important topic. The companies developed different approaches. Haf placed integration highest on the agenda, as they believe that this was crucial to their customers’ and investors’ commitment: *“Today, if we visit a major drilling company to see their system, everything is tremendously integrated: They have a joint power supply, joint communication ... Several joint functions. It is an integrated control system. In Haf, we have a strict philosophy that every single machine will be a single entity that will handle everything itself: all closed loops,*

*control loops; the machine should handle everything”* (Haf, CTO, 2011). Alda was also aware of the importance of integration: *“My tool is a basic technology and should be integrated with other technology for the maximum benefit. However, I need a partner to work together with on this”* (Aldrich and Fiol, 1994). Contrarily, Dox pointed out that they did not need integration, as their technology when finished would be so groundbreaking that integration was not essential: *“With our environmental profile and cost profile, it is obvious that we can drill a lot for less [money]. The first oil company that has this technology will have a great advantage with governments. There will be queues of investors and customers and we really just need to build an organization to manage that”* (Dox CFO, 2009).

#### 4.2.2. Storytelling for relational propriety

While the firm’s representatives engaged in entrepreneurial storytelling to garner technological judgements, sense was also given to relay the relational side. These relational stocks were emphasized, to varying degrees, by all three firms to enhance propriety with their audiences. Dox and Haf were especially strong in advocating for developing relational propriety. The ventures all seemed to recognize the importance of creating propriety judgements with three key constituencies: prospective board members, partners and alliances, and individuals possessing requisite skills.

- (1) Building competence. An interesting observation regarding relational propriety was the way entrepreneurs worked to acquire and build competence within their company. Again, representatives from Haf and Dox were very aware of the importance of having skilled competence associated with the company. For example, Dox showcased its highly skilled employees to demonstrate the firm’s capabilities to stakeholders. More than this, it highlighted its ability to attract and retain competent people: *“For us, it was about hiring people to keep the competence in the company as a value. We are attracting skilled technologists passionate about the idea. So they are not motivated by getting a certain title, but rather the feeling that: ‘Dammit, Dox is exciting’”* (Dox CFO, 2009).

Haf took a different route by making generous use of consultants. In addition to effectively tapping local competence, it was also successful in attracting consultants from well-known international research environments such as NASA and Stanford University. *“When you acquire good relations (partners, board, etc.), it’s easier to attract sought-after competence to your company since we are already being proved through others. We try to work with experienced consultants. The reason for having many consultants is that it takes too much time to build up the organization, but consultants already have this competence. If you want to do something fast, we need to use the existing experience. So, for instance we have specific consultants for the control systems, as they already have that expertise. So that’s why it goes much faster for us.”* (CTO, 2011).

Alda’s founder also worked to attract competence, but his tactics were closely dependent on his partnering activity. He used his personal network to get access to the specific competence: *“Working on the seabed, you must have geotechnical expertise; of course, I can employ my own people and try to build the competence, but I would like to work with a company that already has those resources ... My advantage is that I have worked some years in the field. I have a network of people who are very competent, and I have made a system that already works”* (Aldrich and Fiol, 1994).

All in all, we were left with a strong impression that while Dox and Haf were both aware of the strategic value of receiving relational propriety, and engaged in activities along these lines, Alda was less active in this regard and demonstrated a clear preference for focusing on technology development.

- (2) Building the board: Both Haf and Dox were aware of the power of the board. For example, Haf expressed: *“You may survive without a*

good board of directors, yet it opens many networks and makes things a lot easier ...” (Haf CEO, 2009). Dox brought to attention the need to change the board as the company progressed: “We first had a board with experience from the financial world, but now we have money, so we are now changing the board to open up to the industrial world. We can’t afford to hire these guys, but to attract them to work on the board is key (Dox, CFO, 2011 ...)”. Alda’s founder was more reserved and expressed frustration about having to spend time on developing relations rather than focusing on technology: “I was supposed to get one of those guys on my board, but we never got that far. I am a bit restrained since I have a full-time job” (Aldrich and Fiol, 1994).

- (3) Acquiring partners and alliances: While all companies performed several activities concerning finding potential partners and alliances, also here Haf and Dox were most aware and strategic in the progression. Haf underlined the importance of this activity: “If you’ve got money and good people, you are 67% through with the whole thing. That is only the technical challenge left then. The problem of early stage is that different people have different views. It’s often very charismatic people with strong opinions and so on. Then they split up and then they must start again and then now they are competitors and that sort of thing. Wrong partners can end in catastrophe, no matter how good the technology is” (Haf, CEO, 2011). Also, Dox was very focused on finding the right people to work with: “The main challenge is to find someone on the other side of the table—an industrial partner or technology expert who senses and understands the need for the idea, one who is willing to join the idea owner and to take it further. If you don’t have that link, call it customer-based or industrial-based innovation development, at best, it remains a good theoretical idea” (Dox, CFO, 2009). On the other hand, Alda’s founder, while being aware of this need for partners, took a less active route. His focus was on being acquired, but on very specific terms, where he himself is retained by the acquirer. “If I can be aligned with some company, they would have much of what I need in an industrial partner... I am just one man, but to win a soccer match, you must be a team” (Aldrich and Fiol, 1994).

A summary of the type and level of judgements negotiated is presented in Table 3.

### 5. Analysis and discussion

This paper set out to better understand how new ventures can create propriety judgements with their stakeholders. We did so within the petroleum industry, which is a well-established institutional framework. We embarked upon this endeavor because we believe that current research is missing some key knowledge in the study of new venture legitimation. Specifically, while research on the structural level, or macrofoundations, has been robust, the microprocesses of legitimation—particularly in new ventures—has received far less attention. Moreover, work seeking to connect the micro to the macro has been almost absent (Bitektine and Haack, 2015).

We believe these knowledge gaps exist primarily because most previous research has overlooked a substantial ontological difference regarding judgements made about legitimacy. That difference is that individuals can make judgements by referring to an already existing

collective view (i.e., validity), or they can make them based on their own idiosyncratic beliefs, with limited reference to the collective (i.e., propriety). This matters because these two types of judgements are formed very differently. For example, propriety judgements are much harder to negotiate than validity judgements, because propriety judgements require substantial effort (i.e., due diligence) on the part of the stakeholder, whereas validity judgements require less mental toiling. Because there is no collective conception about a new venture, entrepreneurs must seek out these more challenging propriety judgements and hope to construct enough so that a collective view develops.

In the introduction of this work, we promised to expand the theoretical boundaries of the multilevel theory of the legitimacy process (i.e., connecting the micro and macro) (Bitektine and Haack, 2015). In so doing, we also vowed to expand the boundaries of the theory of cultural entrepreneurship (Lounsbury and Glynn, 2001) and optimal distinctiveness theory (Deephouse, 1996); because these latter two theories are housed within the broader multilevel theory. In this section, we fulfill our opening promise by explicating 1) the specific activities that ventures perform to negotiate propriety, and 2) how these propriety judgements might be co-constructed to form a collective judgement of legitimacy (i.e., validity). Via this explication, we highlight how our findings expand upon the theory of cultural of cultural entrepreneurship, optimal distinctiveness theory, and ultimately the multilevel theory of the legitimacy process.

#### 5.1. Negotiating propriety: a Normative Process Model

Through prolonged inductive observation of three emergent ventures and their stakeholders, we can shed some important light on the microfoundations of new venture legitimation and of how organizations are dyadically “talked” into existence (Weick, 1995) but we can also inform the theoretical discussion on the interplay between the micro and macro (Barney and Felin, 2013).

We summarize our findings into two overarching discoveries. First, we are able to pinpoint two broad types of sensegiving (technological and relational) that affect an audiences’ sensemaking in ways that generate propriety judgments. Second, we more profoundly explore the specific attributes of technological and relational sensegiving to offer a normative model; wherein we highlight a specific process by which ventures can co-create abundant propriety judgments, allowing them to cross the threshold from propriety to validity. Through observing both variation and consistencies, we are afforded the opportunity to prescribe a normative model for new ventures seeking propriety judgements (Fig. 1).

In Fig. 1, the arrows below the gears represent the general type of story told (i.e., sense given). Per optimal distinctiveness theory (Zucker, 2016; Zhao et al., 2017), each story in our data could be classified as either a story of conformity or differentiation; and importantly, for the gears to be mobilized in the proper sequence, our data indicate that differentiated stories precede conforming stories. Our data also indicate that the content (conforming and differentiating) needed be either relational or technological in nature; with relational referring more to interpersonal relationships and technological relating to product attributes.

Each gear, then, represents a specific type of negotiated propriety judgement. For example, early on all ventures drew upon the apparent novelty of their technology to tell stories about this novelty (e.g., Jennings et al., 2009), and eventually co-created propriety judgements with stakeholders around it. Later, judgements are negotiated around alliances, board members, etc. Importantly, the gears are path dependent and, for best results, should be mobilized in the order depicted. Within each gear is a notation of 1) the type of sense given (e.g., conforming), and 2) the broad content of that sense (e.g., technological). To illustrate, a story told about the venture’s novel technology would be relayed in a manner that differentiates the venture from the competition. An integration story, told later on, would be relayed in a way that shows how

**Table 3**  
Summary of propriety judgements.

Company:	Technological Propriety	Relational Propriety	Legitimacy Journey
Haf	High	High	Growing positive judgements
Dox	Low	High	From positive judgements to negative judgements
Alda	Medium	Low/medium	Stable judgements



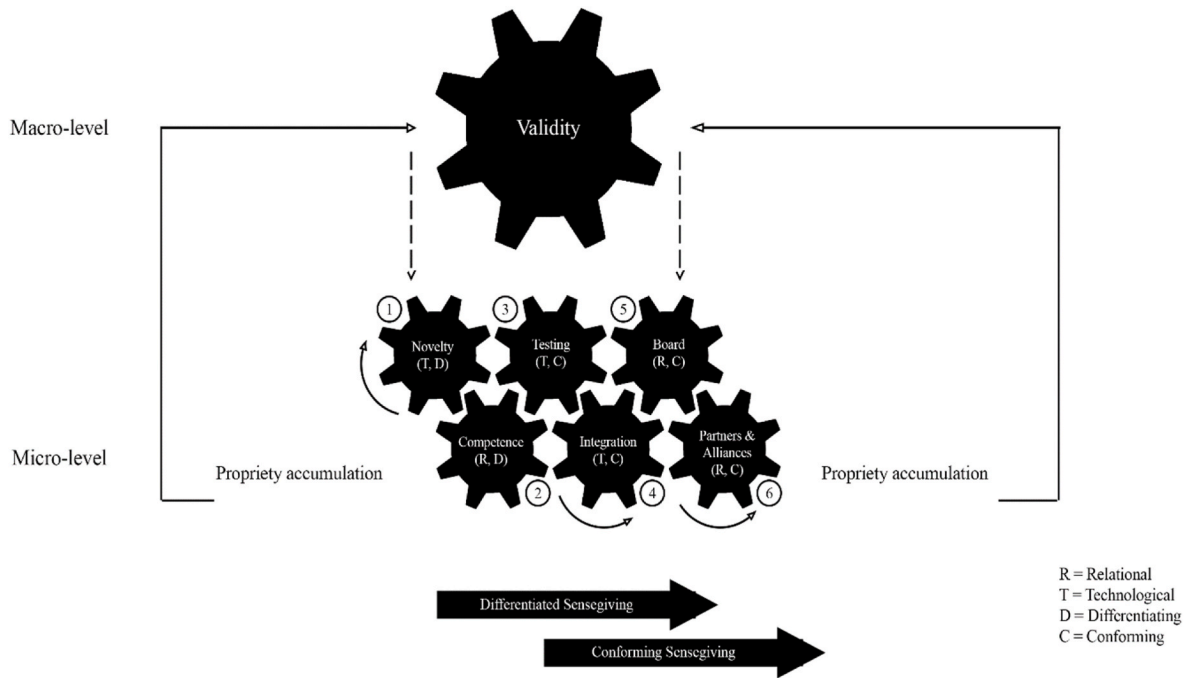


Fig. 1. A normative process model of propriety negotiation.

the technology conforms with what currently exists. This runs somewhat counter to the “conform first” (e.g., Navis and Glynn, 2010) paradigm which is dominant in optimal distinctiveness literature.

Finally, if all gears can be set into motion and sustained, the collected propriety judgements will metamorphose into a collective judgement of legitimacy. At this point, the large validity gear slides into place between the smaller propriety gears and provides the energy to power the machine, easing the burden on the entrepreneurial team.

While operating in the same cultural context in the same timeframe, the three case companies demonstrated three different outcomes in their varied efforts to build legitimacy, even though all three engaged in the same general sensegiving strategy: differentiating via technology and conforming via relationships. Interestingly, all three also engaged in the same specific sensegiving strategy, beginning with giving differentiated sense about novelty and ending with conforming sense via the board. Where the variation resides is in the levels of skillful cultural operation (Lounsbury and Glynn, 2001). That is, each of the three ventures demonstrated varying skill levels in drawing upon stocks of resources to give the appropriate sense.

5.1.1. Normative model contextualized—the journeys of haf, alda, and dox

Referring to Table 4, and meshing it with Fig. 1, we provide more specificity around the content of the six specific story types, the ordering of the judgements, and around the process of moving from propriety to legitimacy. In our study, all three ventures attempted to negotiate

propriety around each of the six in the path dependent fashion depicted in the figure, but some ventures were more successful than others.

As noted, all three ventures worked to first create an understanding around the novelty of technology. In fact, novelty emerged as crucial and served as the base for the entire system. We found that novelty stories not only resulted in propriety judgments, but they also spurred and enabled other forms of sensegiving, including relational forms. In fact, and consistent with theory (e.g., Cestino et al., 2023) the first partner was often identified and engaged based on the venture’s novelty.

Once this novelty gear was animated, it provided the torque needed to co-create a shared understanding of competence. Haf and Dox were successful in animating this gear, and Alda was as well, but possibly less so than the other two. This resulted in the two gears providing the differentiated content (Taeuscher, et al., 2021) that encouraged stakeholders to engage in making sense about the testing of the technology. Here, Haf and Alda sparked this gear into motion by negotiating propriety based on conducting successful tests, and then broadcasting this success. Unfortunately for Dox, though, it faced issues negotiating these testing judgements and this gear failed to rotate, and this, along with an insufficient focus on integration with extant technology, eventually halted Dox’s legitimacy. Even though the venture was able to put the alliance and the board cogs into motion, the venture’s failure to follow the proper sequencing stalled the entire system. In the end Dox was unable to cross the threshold.

For Haf and Alda, once judgements of propriety about testing were

Table 4  
The specifics of negotiated propriety.

	Differentiating		Conforming			
	novelty	Competence	Testing	Integration	Partnership/alliances	Board
Haf	Radical technology	Focus on developing unique competence through consultants.	Successful testing	High focus on integration	High focus on finding partners and alliances for access to resources and competence	High focus on constructing a good board
Dox	“Super-radical” technology	Focus on building up unique competence by hiring or acquisition.	Unsuccessful testing	Low focus on integration	High focus on finding the best partners as a signal to environment	Board is actively used as an external resource
Alda	Advanced technology	The entrepreneur positions himself as having unique knowledge and competence.	Successful testing	Aware of integration as a necessity.	Too much focus on one specific partner.	No focus on building a board.

negotiated, momentum in the gear system began to build, making the next form of propriety—integration—less effortful. With these four gears turning, Haf's negotiation of external partnerships, and eventually board members, became even easier as knowledgeable outsiders could see the proof of concept and strong management. While Haf took advantage of this momentum to broadcast its success with these activities; Alda did not and failed to engage in the alliance and board member negotiations needed to establish propriety around these resources. This was effectively the end of the path for Alda.

The final trick—which only Haf was able to pull off—was to keep all gears turning in unison, so that the negotiated propriety judgements could diffuse to the collective. This required the team to be very energetic, multi-tasking, and constantly engaged with stakeholders (Symeonidou and Nicolaou, 2018). As these gears remained in motion, external knowledge (e.g., media coverage) grew until a collective acceptance of Haf was established. At this point, Haf was afforded the relative luxury of tempering its storytelling efforts. As is depicted in Fig. 1, for Haf, the large validity gear eventually glided into place and provided locomotion for all other gears—such is the contrast between toiling for propriety judgements and managing validity judgements (Haack, et al., 2021).

### 5.1.2. The demise of Dox and Alda

Our model holds that “skilled cultural operators” (Überbacher et al., 2015, p. 935) must engage the proper gear at the proper time to affect the appropriate type of sense in the stakeholder's mind. In the end, for Dox and Alda, this did not occur, and both were forced to shelve their technologies.

Alda violated several aspects of our normative model and was unable to cross over to validity. Initially, the venture possessed a good deal of novelty and was able to effectively give sense about this, which led to early propriety judgements. However, red flags were subsequently raised when the venture did not seem to fit the cultural environment. The founder spent scant time addressing the more relational issues (i.e., alliances and board members) and, even though the technology was robust, eventually this lack of balance deteriorated the firm's prospects and the firm lost positive judgements. In this way, Alda was able to lurch the system into motion, but could not sustain it because it failed to relay stories related to its relational resources (i.e., board, partners) at the appropriate time.

Dox also encountered issues by deviating from the model, but in a different way. Similar to Alda, Dox was initially able to differentiate by giving sense about the competence and novelty it possessed, which aligns with the normative model. But, critically, this sensegiving was mostly projective (Garud et al., 2014), in that Dox did not literally possess these attributes, but instead promised that it would possess them very soon. This strategy is not inconsistent with our normative model, nor with broader sensegiving theory (Suddaby et al., 2017), and could have been successful,<sup>2</sup> except that the product testing ultimately failed, revealing uncertainties about the company's stated competence and novelty. The founders were initially able to shroud this negativity with conforming sensegiving, but eventually the imbalance led to propriety judgements being lost and the venture declining. Interestingly, here partners and external funders seemed willing to continue, but Dox lost employee judgments, and this proved to be insurmountable, leading to a shelving of the technology. In the end Dox, like Alda, was unable to cross the threshold.

Overall, this smoothly functioning system, organized as displayed in

<sup>2</sup> Indeed, in all ventures we witnessed stories that were built at least partially on projected—rather than actual—resources. We note that venture narratives naturally look ahead, speculating or projecting future events or outcomes based on the narrative's current trajectory ... to “craft a compelling vision of the future which may involve sleight of hand or even outright lies (Gehman and Wry, 2022, p.103).

Fig. 1, represents the most effective system for creating judgements of propriety, at least in the context of this study. To increase or maintain the level of positive judgements, we note that sense must be given about the relational, as well as the technological, aspects in tandem as the firm evolves. While Dox engaged strong sensegiving for relational propriety, the sum of its technological sensegiving was low. Alda, on the other hand, leveraged its considerable technological resources to give sense, but its relational sensegiving was minimal. Only Haf managed to successfully balance its relational and technological sensegiving. This balancing of sensegiving (Tan et al., 2013) seemed to be important for the stakeholders, as they critiqued Dox's lack of technological results and Alda's lack of results in the relational arena (e.g., minimal board, no employees, no partners). If one gear is not animated or is animated at the wrong time, imbalance occurs, and judgements become tougher to broker and can be lost.

## 5.2. Theoretical implications

By immersing ourselves in the microfoundations of legitimacy creation, we stated our explicit desire to expand the field's understanding of cultural entrepreneurship (e.g., Lounsbury and Glynn, 2001), optimal distinctiveness (e.g., Zhao et al., 2017), and the umbrella paradigm of the multilevel theory of the legitimacy process (e.g., Bitektine and Haack, 2015). Here we highlight, more specifically, implications for these frameworks.

### 5.2.1. Advancing the theory of cultural entrepreneurship

The theory of cultural entrepreneurship outlines the process by which entrepreneurs draw upon their extant stocks of resource capital (e.g., technology) and institutional capital (e.g., industry fit) to relay stories in a way that will result in positive judgements of legitimacy. Unfortunately, though, theorizing has assumed that ventures are pursuing a collective form of legitimacy, when in fact they must first negotiate more challenging individual judgements of legitimacy (Barney and Felin, 2013). Therefore, at present, cultural entrepreneurship is not fully able to accommodate the process of new ventures seeking propriety judgments.

In addition to a lack of focus on propriety, the extant cultural entrepreneurship work has tended to be set in more dynamic contexts (e.g., arts, software development). Seeking propriety in a well-established institutional setting, such as the Norwegian petroleum industry, venture agency may be weaker than in for example, institutional voids (Giddens, 1984; Emirbayer and Mische, 1998; Alvarez et al., 2015). These well-established institutional frameworks are characterized by well-defined rules, regulations, and structures (Scott, 2014). In such settings, the presence of established norms can limit the ability of individuals and organizations to act freely, potentially stifling innovation and entrepreneurship (DiMaggio and Powell, 1983). Significant changes or innovations in such environments typically face resistance, which requires navigating established channels, often necessitating broader systemic shifts, which can be slow and challenging (Meyer and Rowan, 1977). Our findings here suggest that agents may have to use different storytelling strategies in these less dynamic contexts.

Overall, our work here addresses these theoretical blind spots by revealing two key types of stories (relational, technological) that should be told when negotiating these, more micro, “deviant” judgements (Bitektine and Haack, 2015, p. 55). Skilled operatives will dance between this tandem of rhetorical devices by first relaying stories about the novelty and overall merits of the technology before engaging in more relational stories, which serve to trumpet the venture's partnerships and alliances.

Specifying proper story content during emergence also sheds light on a portion of cultural entrepreneurship theory that has received little attention; namely, which stocks of resources (entrepreneurial capital vs. institutional capital) should entrepreneurs draw upon, at which times, in order to construct the appropriate story (Fritzsche and Duerrbeck,

2020). Here, both types of capital are clearly important, but entrepreneurial (e.g., intellectual, social) capital holds primacy—particularly early in emergence, as the venture seeks to highlight the venture-specific value added.

### 5.2.2. Advancing optimal distinctiveness theory

We similarly expand the theoretical logic around the paradigm of optimal distinctiveness, which is concerned with the need for ventures to simultaneously conform and differentiate. As noted by Zhao et al. (2017), there is a lack of understanding around how new ventures overcome their “institutional deficiency” to achieve optimal distinctiveness (p. 101). To overcome this deficiency (i.e., liability of newness) we find, counter to most theorizing (e.g., Deephouse), that ventures must first differentiate by celebrating their novelty. If this is not accomplished and ventures instead attempt to conform too early, they will be either ignored or deemed inappropriate. Either way, propriety judgments will not be forthcoming, and emergence will stall. Our reveal aligns with a minority of OD scholars (e.g., Tan et al., 2013; Tauscher et al., 2021) who suspect that differentiation in the entrepreneurial process is far more important than currently theorized. In light of our results, we recommend a theoretical recalibration of optimal distinctiveness wherein the axiom of “conform first” is amended to “differentiate first”, at least in contexts similar to ours. Though both are critical, during emergence it seems that an altered path dependency emerges wherein differentiation must be established first.

Our finding, though somewhat counterintuitive, should not be surprising given that fact that organizational optimal distinctiveness theory was developed in a mature firm context (e.g., Zuckerman, 2016), and founding scholars assumed that legitimacy judgements were of the validity variety. Therefore, the mature firm framework may not be fully applicable to the phenomenon of new ventures seeking propriety. Stated differently, when seeking validity (in more mature contexts), conformity is the name of the game, but when seeking propriety (in the new venture context), a heavy dose of differentiation must be offered. This insight gives resonance to Christensen's (1997, 2018) claim that while incumbents launching a sustaining innovation is an advantage, startups will benefit more from disruptive innovations.

### 5.2.3. Advancing the multilevel theory of the legitimacy process

Overall, and as lamented by Bitektine and Haack in developing their multilevel theory, we know far too little about 1) the micro considerations of legitimacy, and 2) the relation between micro and macro conceptualizations of legitimacy. That is, how do individual stakeholders make judgements of appropriateness about a focal venture and how do these idiosyncratic judgements evolve into a collective judgement. There are myriad reasons for this lacuna, but chief among them is that the simple fact that observing and codifying this evolution is difficult and requires creative methodologies and robust time horizons. Fortunately, our research design affords us the ability to speak to these issues.

First, we add precision to the micro considerations of legitimacy by revealing the specific types of propriety judgements that must be pursued by ventures, and we go further by identifying the proper sequence of these judgements (Fig. 1). Bolstering theorizing by rhetorical scholars (e.g., Suddaby et al., 2017), we report that securing these judgements is accomplished through expression aimed at highlighting specific positive outcomes for the stakeholder. That is, entrepreneurs should appeal to self-interested motivations, because these stakeholder judgements are made along pragmatic lines (Zbaracki, 1998) rather than cognitive or moral lines. Stakeholders may not judge the new venture based upon its alignment with the collective, because there is no such alignment; instead, they will make a self-interested (i.e., pragmatic) judgement about what the venture can do for them. Our work here highlights the underappreciated importance of pragmatic legitimacy in securing these early propriety judgements, as at this early stage, ventures emerge when they can affect perceptions of utility (Petkova, 2016). Connecting back

to our discussion of optimal distinctiveness and cultural entrepreneurship above, the primacy of the pragmatic form of legitimacy here explains the heavy focus on differentiation and entrepreneurial capital. To negotiate pragmatic propriety judgements, ventures need to first trumpet their firm-specific, differentiating attributes (e.g., novelty), before negotiating moral legitimacy judgements.

Speaking to the latter issue (micro-macro relation) we are able to explain how micro judgements can be transformed into a macro, collective judgment. As ventures negotiate propriety judgements as outlined in Fig. 1, they are matriculating towards validity. This is a substantial reveal as scholars have long postulated about how these deviant judgements are attained and how they are converted to orthodox (or non-deviant) judgements (Green, 2004; Vaara et al., 2006).

To our knowledge, this is the first research to offer such evidenced-based guidance as to how propriety judgements may be brokered in such a way that the venture is able to “crossover” to validity. One of our case companies (Haf) likely accomplished this crossing over during the timeframe of our study. That is, the venture was able to transition from diligently co-creating propriety judgements with individual stakeholders to less effortfully managing validity judgements from the collective. It accomplished this by following the normative model outlined here, wherein each “gear” was animated at the proper time and eventually evolved into a self-sustaining system.

Our preliminary interpretation of our findings is that we have identified the elusive “legitimacy threshold” (Zimmerman and Zeitz, 2002, p. 427), which has been debated in the entrepreneurship literature (e.g., Rutherford et al., 2016; Fisher et al., 2016; Soublière and Gehman, 2019). Characterized as the point below which the venture is unsustainable and will likely fail, and above which the venture will likely flourish; this threshold aptly captures the plight of the three ventures in our sample. Dox and Alda were unable to animate each gear, in the proper sequence, so that the system could become smoothly functioning; and in the end it was simply not possible to sustain the venture with one or more inert gears. Haf on the other hand, jump-started and sustained all gears in motion and the result was propriety judgements coming easier and more quickly until individuals no longer judged Haf on its specific attributes, but on the opinion of the collective. As Zimmerman and Zeitz (2002) state in their seminal work: “The new venture that fails [to cross the threshold] is unable to gather the right sorts and amount of legitimacy in order to survive” (p. 427).

### 5.2.4. Policy implications and future research

While our research endeavored to open up the black box of legitimacy creation, a salient policy question emerges given the intricate policies supporting startups: Is it feasible to institutionalize entrepreneurship? Schumpeterian entrepreneurship, representing novel concepts and creative destruction, inherently challenges established institutional frameworks. In fact, Klofsten and Jones-Evans (2000) study on university spin-offs indicates that attempts to institutionalize entrepreneurial behavior actually diminished the entrepreneurial spirit within academia. We believe though, based on the result of our study, that a more thorough understanding of the legitimacy journey could guide policymakers in crafting targeted incentives. An example is the design of grant regulations. Through well-constructed boards, important competence and access to new relations was achieved. Compared to other relational propriety activities, such as partners and competence, boards are in general easier to control. Therefore, policy makers, could set aside resources for startups to set up competent boards. As an additional policy nostrum, policymakers could assign grants for better testing facilities technology. We note this because testing emerged as conforming activity on the technological side, as it demonstrated the realism of the project and the basis for positive propriety judgements.

The empirical findings of the study and the suggested models of propriety judgements offer several promising avenues for future research. First, we encourage future researchers to develop and test our theoretical model, possibly with archival data. An exciting study could

emerge that utilizes longitudinal data (e.g., Panel Study of Entrepreneurial Dynamics) to tap the subdimension of relational and technological attributes. Even if proxied, scholars could robustly, empirically assess if the presence of these attributes moves a new or nascent venture through legitimation.

Second, future studies could further examine the nature of the micro-macro relationship. While individuals make judgements about a given venture's propriety, a collective validity judgement about the same venture also exists at the macro level—even if that judgement is null. Because collective beliefs always impact the individual evaluator, few judgements are ever completely proprietary (Zelditch and Walker, 2000). We have offered some clues in this article as to how this may occur in a new venture context, but our lack of understanding regarding the interplay of micro- and macrofoundations remains vast.

Finally, future researchers, we believe, would produce compelling results by diving into the role that distinctiveness—as opposed to conformity—plays in influencing propriety judgements. More recent research has suggested that differentiation can lead to normative legitimacy (Taeuscher et al., 2021). This argument rests on the differences in stakeholders' normative expectations (Fisher et al., 2016; Taeuscher et al., 2021). If an emerging venture offers novelty, “novelty-expecting audiences” may deem the venture normatively legitimate (Taeuscher et al., 2021, p. 151).

### 5.3. Limitations

First, since the new ventures examined in this study operate in the oil sector, the practice of legitimation found here may not hold for all new ventures (Khessina and Carroll, 2008). Notably, legitimacy builders, such as ventures and external legitimating actors, jointly shape the legitimization process over time. This process likely has different dynamics in different types of industries, ranging from those in heavily constrained environments to those in freer markets. Exploring such limitations was beyond the scope of our study, but the observational approach we adopted could be extended to explore the generalizability of our findings across contexts.

Second, by extension, a fuller explication of the nomological net of new ventures' propriety is needed. For example, what are additional antecedents and contingencies for the outcomes of the two proprieties? We propose that validity to be the eventual result of propriety, but this finding is preliminary. Also, with regard to discriminant validity, the relationship between related constructs is murky. We submit that propriety differs from constructs like reputation, resonance, and status, but they likely overlap to some degree.

Third, our motivation to conduct this study was initially to find legitimation processes that are key for startups' commercialization efforts. During the interactive process of data analysis and data collection, we became aware of a different problem for startups, namely the challenge of routinizing in such young organizations and ways to improve it. Indeed, some routines can be found between the lines of the previously quoted interview statements: routines relating to (a) managing and controlling the venture, (b) technology development, and (c) commercialization. For example, new ventures may need coping strategies to build legitimacy. It is important for researchers to understand the interplay of these and other strategic tools to avoid being one-sided in their endeavors. Entrepreneurs should not underestimate the importance of building relationships on several levels and creating a balance between their activities that is conducive to building legitimacy. Since our focus was legitimation, we omitted other important issues, as explained earlier. Yet, future studies could consider these other processes as altering the legitimation processes, we have identified.

### 6. Conclusion

This study set out to investigate how entrepreneurs dyadically create positive legitimacy judgements and how their associated actions

influence the commercialization process in their ventures. This led to an exploration of the relatively unexplored phenomenon of microprocesses in legitimation in new ventures. In contrast to the more commonly examined macro perspective, microprocesses are concerned with actors' actual everyday judgements and behaviors. To explore these microprocesses, we employed a multiple case study methodology that allowed us to observe and record the progress of three new firms in the Norwegian petroleum industry. This methodology resulted in a large amount of interview data that was then codified and themed. Finally, we used intuitive and critical reflections to interpret the type and level of legitimacy judgements.

Based on our interpretation, the answer to how new ventures create and negotiate propriety judgements revolves around working to configure a new firm in a manner that (1) balances propriety with the venture's key stakeholders and (2) produces a technology that is appropriate according to market needs. Relational sensegiving emerges as a lever that attracts new stakeholders and thus increases the rate of contact with established and new stakeholders, while technological sensegiving precedes relational sensegiving in the development of positive propriety judgements. Our case study contributes insights suggesting that both technological and relational propriety may indeed be associated with legitimation. Among the three cases, Haf, which managed to balance technological and relational propriety, achieved positive propriety judgements and high performance, and, thus, very likely made the leap from propriety to validity.

### Author contributions

Elin Merethe Oftedal: Conceptualization, Data curation, Formal analysis, Methodology, Writing – original draft, Writing – review & editing. Lene Foss: Methodology, Writing – review & editing. Matthew Rutherford: Conceptualization, Formal analysis, Writing – original draft, Writing – review & editing

### Data availability

The data that has been used is confidential.

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