



Looking the part: entrepreneurial growth through strategic legitimisation

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29751153

A research project submitted to the Gordon Institute of Business Science,
University of Pretoria, in partial fulfilment of the requirements for the
degree of Master of Business Administration.

10 NOVEMBER 2010



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Abstract

Entrepreneurial legitimacy and strategies employed to generate legitimacy are topical and pertinent to entrepreneurship. This study sought to understand the impact of formative stage strategic legitimisation employment on entrepreneurial success.

Through a review of the literature, the study built a strategic legitimacy scale offering that allowed for historical empirical testing. Using non probability sampling, entrepreneurs were surveyed through a face-to-face questionnaire in an attempt to attain closed response data regarding their historical strategic legitimisation activities and growth indicators.

The study provided empirical evidence for a positive relationship between formative stage strategic legitimisation employment and venture development. Furthermore the presence of exponential value returns against strategic legitimacy activities was exposed at low and moderate levels of legitimacy engagement. While volatile value returns were shown at high levels strategic legitimacy employment. Furthermore the effectiveness of formative stage strategic legitimacy activities was shown to not be effected by the maturity of the industry in which a venture started.

Keywords: Strategic Legitimisation, Legitimacy, Entrepreneurship, Industry Maturity

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Ryan Stuart Harrison

Date

Acknowledgements

To my supervisor – Greg Fisher: Greg, your enthusiasm and guidance was an investment in me and enabled me to submit a thesis I was proud of. I am so grateful for the time and wisdom that you put into my submission. Thank you.

To my family: your support throughout my years as a student has shaped my life. Thank you for seeing the value in my education and letting me chase my dreams. You have given me the perfect platform. Thank you.

To my coffee run buddies – Matt and Mocha: thank you for taking me on epic adventures and missions of escapism.

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Chapter 1: Introduction to the research problem

1.1 Research title

Looking the part: entrepreneurial growth through strategic legitimisation

1.2 Why this topic is important

Creation of new business is responsible for a significant amount of economic development and is critical for future expansion and growth in South Africa (Ligthelm, 2005). New ventures come about when entrepreneurs successfully commercialise ideas that are perceived in the environment (Aldrich & Fiol, 1994; Keuschnigg & Nielsen, 2004). While South Africa currently has many successful entrepreneurial firms; more are required to improve economic growth which will pave the way for increased employment rates as well as work to improve the overall standard of living.

By its nature, new venture creation is overwhelmed with an array of challenges that confront both the entrepreneur and stakeholders. Many of the challenges faced by an entrepreneur of a new venture are fundamentally different from those encountered by an established presence. Perhaps the most pertinent issue faced by every entrepreneur is; ensuring survivability and development of the entity. Achieving these objectives requires the assembly and mobilisation of resources (Rutherford, Buller & Stebbins, 2009). New venture entrepreneurs however are faced with a lack of credibility which limits access to resources and operational cohesion.

Aldrich and Fiol (1994) reason that it is this combination of entrepreneurial activities and precondition that brings about the need for an organisation to be perceived as *legitimate*. The acquisition of initial legitimacy allows an organisation to build cognitive value among stakeholders, whereas failure to create the perception of legitimacy puts the venture in a state of perpetual risk that does not wane as the venture ages (Singh, Tucker & House, 1986).

Entrepreneurs have the opportunity (especially at start-up) to proactively construct and influence the perceived legitimacy of an entity. Successful attempts at legitimacy formation contribute towards mitigating challenges and pitfalls associated with new venture development. Furthermore empirical evidence has shown that active legitimisation attempts during start-up stages increases survivability among entrepreneurial ventures.

This research proposal seeks to highlight the importance of legitimisation in the *formative stages* of a new venture as well as attest early stage legitimisation activities that promote new venture realisation. Application of this knowledge hopes to assist imminent entrepreneurs in navigating the “institutional vacuum of indifferent munificence” and in overcoming their nascent status (Aldrich & Fiol, 1994, p. 645).

1.2 Definition of problem and purpose

1.3.1 Definition of problem

While the topic of legitimacy is respected within strategic management and entrepreneurship research (Powell & DiMaggio, 1991; Suchman, 1995); to date little is

understood about the development (growth) implications of strategic legitimisation activities conducted by entrepreneurs in the formative stages of a new venture (Hargreaves, 2004; Zimmerman & Zeitz, 2002).

Consequently this paper considers whether entrepreneurs give sufficient consideration to strategic legitimisation in the formative stages of a new venture and to what extent this foundational work impacts the future success of an entity.

To further confound the legitimacy phenomenon this paper acknowledges the concept of *over legitimisation*. While entrepreneur's embark on a quest for legitimacy they may be tempted to devote too much attention to legitimisation and as a result limit growth potential and hinder venture success.

Legitimacy and the acquisition of legitimacy is multi-faceted and while past research has shown patterns among legitimacy acquisition, this paper attempts to establish the effectiveness and employment patterns of legitimacy activities under differing industry conditions.

1.3.2 Purpose of research

The purpose of this research project is primarily to explore the effectiveness of legitimisation techniques employed by entrepreneurs and their effect on venture development within the entrepreneurial context. Additionally the effect of industry maturity on this relationship will be explored.

Furthermore it attempts to discover the strategic legitimisation techniques utilised by entrepreneurs in the start-up stages of a new venture as well as hopes to discover legitimisation techniques that are commonly overlooked by South African entrepreneurs, which if employed could have a positive effect on the venture's development.

The majority of literature reviewed within this paper is focused on the American and European environment. This research study attempts to contribute towards the South African perspective by identifying and analysing the effectiveness of fundamental strategic legitimisation activities employed by entrepreneurs in the formative stages of a new venture and thus provide recommendations for their optimal value returning usage.

1.3 Chapter conclusion

This chapter put forward the need for legitimacy research as well as contextualised the critical nature of its use and associated benefits. Furthermore the problems encountered by new venture entrepreneurs were explored and clarity was given to the purpose of the research within the entrepreneurial context.

The following chapter explores the principal legitimacy literature and develops a contextual argument around the purpose of this research. Additionally clarity is given to pertinent definitions, and the mechanisms of strategic legitimacy and its impact on venture development are investigated.

Chapter 2: Theory and literature review

2.1 Challenges facing entrepreneurs and the desire for legitimacy

Aldrich and Fiol (1994) suggest that new ventures come into existence when entrepreneurs successfully apply resources to opportunities that are identified and perceived in the environment. All entrepreneurs face similar challenges associated with new venture start-up; such as, employee recruitment and access to capital; whereas founders of entirely new ventures are confronted with an absence of credibility. This organisational credibility provides the framework for fruitful interaction between an organisation and its environment. Absence of this credibility in a new venture exaggerates the constraints and challenges placed upon the entity (Aldrich & Fiol, 1994).

Stinchcombe (1965, p. 162) offers an explanation for the exaggerated challenges faced by new ventures stating that “younger organisations have a higher propensity to die than older organisations”. This phenomenon is termed the “liability of newness” and occurs primarily as a result of an inability to compete against established firms and new ventures *low levels of legitimisation*. Singh et al. (1986) support the liability of newness argument in observing that harsher selection pressures are placed on new ventures.

Aldrich and Fiol (1994) argue that all new organisations are exposed to the liabilities of newness however the extent of the liability differs depending on a varying set of conditions including the industry environment as well as the uniqueness of the

venture being created. Thus differing strategies will need to be adopted by new ventures depending on the macro environment in which they exist.

Differing levels of legitimisation may be achieved by an organisation and in turn the perceived level of legitimisation may differ among groups and stakeholders. For example; the tax authority may see a registered new venture as highly legitimate however low legitimacy may be perceived by the new venture's first time customer.

New ventures are inherently created without "widespread knowledge and understanding of their activity", as a result entrepreneurs will often find it challenging to gain and maintain legitimacy and support within favourable population groups (Aldrich & Foil, 1994 p. 649). From this it can be deduced that by definition new ventures begin with low legitimacy and that attaining desirable and appropriate legitimacy is a critical success factor that must be achieved by new ventures (Zimmerman & Zeitz, 2002).

From previous research it has been put forward that the greatest challenge that new venture entrepreneurs face is overcoming the liabilities of newness (Hannan & Freeman, 1984). Williamson, Cable and Aldrich (2002, p. 323) advocate that these challenges are the "quest for legitimacy". Unless a new venture is perceived as legitimate the entrepreneur will have great difficulty in assembling and mobilising resources that are needed to develop and survive. Appreciation of this encourages entrepreneurs to adopt and actively implement strategies that diminish the liabilities of newness as well as encourage legitimacy creation (Rutherford et al., 2009).

To ensure survival and ultimately realise growth entrepreneurs must therefore overcome the liabilities of newness in an effort to generate legitimacy particularly with key stakeholder groups such as customers and resource providers. In an effort to achieve this legitimacy Rutherford et al. (2009, p. 960) found that entrepreneurs will adopt “proactive strategies” to stimulate the perception of a legitimate endeavour.

New ventures struggle to achieve perceived legitimacy by the external environment compared to established organisations. However as new ventures grow and develop in terms of legitimisation; Stinchcombe (1968, p. 171) reasons that they become part of “the power hierarchy” and that the ventures activities begin to attract endorsement from “powerful collective actors”.

Researchers such as Aldrich and Fiol (1994) and Singh et al. (1986) put forward the notion that gaining appropriate legitimacy has a multitude of benefits attached to its acquisition, such as lower selection pressures placed on new ventures, easier access to capital, public resources as well as an increased chance of survival.

It has been found (Singh et al., 1986) that death rates of new ventures dramatically decrease once a perception of legitimacy has been achieved by critical external stakeholders such as customers (Singh et al., 1986). A failure to create the perception of legitimacy puts the venture in a state of perpetual risk of failure that does not wane as the venture ages. Whereas ventures that are able to achieve legitimacy experience an increase in survival rates, which negatively correlates to death rates (Singh et al., 1986). Furthermore the researchers declare that young organisations’ liability of newness is primarily caused by low levels of legitimacy and therefore the liability of

newness can be overcome by proactively and strategically increasing the perceived legitimacy of a new venture (Singh et al., 1986).

Research conducted by Bansal and Clelland (2004) supports the views of Singh et al. (1986) and attributes legitimacy to lower levels of unsystematic risk. This is as legitimacy conforms to institutional expectations, provides for better access to resources and provides an institutional buffer that safeguards organisations from adverse environmental factors (Bansal & Clelland, 2004).

As legitimacy is formed as a state of perception in either an individual or groups mind, it is not necessary to employ resource consuming methods to gain legitimacy. Appropriate low-cost legitimacy management techniques can have as equal or superior legitimacy development outcomes (Bansal & Clelland, 2004).

Bansal and Clelland (2004) strongly encourage entrepreneurs and managers alike to proactively manage their legitimacy among key groups, as the benefits of this management function are desirable.

2.2 Initial legitimacy and the legitimacy threshold

As highlighted earlier in this chapter, new ventures are fundamentally different from existing business; and the principal source of this difference is new venture's inherent lack of legitimacy (Gartner, 1989).

Furthermore attaining initial legitimacy is more challenging than maintaining legitimacy and subsequently achieving higher levels of legitimacy. Delmar and Shane

(2004) flirt with the notion that legitimacy (and not financial performance) is the most significant achievement of new venture creation. This relationship occurs in the initial stage of venture creation because legitimacy is the “precursor to performance” (Rutherford et al., 2009, p. 951).

The above mentioned condition can be defined as the legitimacy threshold. The threshold is a hypothetical point that segregates ventures into (1) those who continually struggle to survive and carry a high propensity to fail and (2) those ventures who through achieving legitimacy enjoy the benefits of further legitimacy (Zimmerman & Zeitz, 2002).

It becomes apparent that the legitimacy threshold must be actively overcome by an entrepreneur wishing to create a sustainable and successful venture. In turn, it can be deduced that entrepreneurs must employ proactive strategies that contribute towards gaining initial legitimacy and mitigating the liabilities of newness in an attempt to ultimately reach subsequent developmental stages (Rutherford et al., 2009).

2.3 Legitimacy defined

Legitimacy has been continually defined and redefined by various researchers and theorists. Definitions differ depending on context and specific application; however they share constant themes and features.

Aldrich and Fiol (1994, p. 645) place emphasis on legitimacy being constructed out of familiarity and recognise it as “how taken for granted a new form is and the extent to which a new form conforms to recognised rules and standards”. While Zimmerman &

Zeitz (2002, p. 414) view legitimisation as a commercial tool referring to it as “a social judgment of acceptance, appropriateness and desirability, which enables organisations to access other resources needed to survive and grow”.

Alternatively, Dowling and Pfeffer (1975, p. 125) adopt a social approach and define a legitimate organisation as one whose “means and ends appear to conform with social norms, values and expectations”. This definition is expanded upon by Epstein and Votaw (1978) by stating that legitimisation is achieved when an organisation is perceived to be pursuing socially acceptable goals in a socially acceptable manner.

Suchman (1995, p. 574) adopts a broad-based definition of legitimacy stating that it “is a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate with in some socially constructed system of norms, values, beliefs and definitions”.

Importantly, Perrow (1970) recognises legitimacy as being attributed to an organisation by its constituents – “like beauty, it resides in the eye of the beholder” (Ashforth & Gibbs, 1990, p. 177).

It is apparent that while the various definitions are shaped and suited to serve distinct purposes, they all advocate a similar theme. Legitimacy is a cognitive construct that exists within individuals and groups and can be influenced by actions of both the entity in question and actions of other environmental entities and instances. While this paper deals with strategic legitimisation techniques it is crucial to understand the

existence of legitimacy and its nature; as the strategic techniques employed primarily seek to maximize the overall legitimacy of an organisation.

As legitimacy resides within a social and cognitive context it is subject to the same volatility and evolutionary dynamics that affect social norms and values (Dowling & Pfeffer, 1975). Thus legitimacy must be constantly maintained and defended in an appropriate manner to counterbalance the dynamic social macro and industry specific environment (Ashforth & Gibbs, 1990).

For the purposes of this study legitimacy will be defined as “a social judgment of acceptance, appropriateness and desirability, which enables organisations access to resources needed to survive and grow” (Zimmerman & Zeitz, 2002, p. 414).

2.4 Actively gaining legitimacy

New ventures are faced with an initial legitimacy threshold, where they experience the liabilities of newness. This threshold is broken through the acquisition of a significant stakeholder or substantial collection of stakeholders by their actions legitimise the new venture. Pfeffer and Salancik (1978) suggested that this initial legitimacy threshold is often broken by the acquisition of a key customer or the support of key financier. Once initial legitimacy is achieved, the market begins to view the venture as trustworthy and legitimate; in essence a legitimacy snowball effect begins to build after overcoming the initial threshold (Rutherford et al., 2009).

This process of events and the desire to be perceived as legitimate is a challenge for new venture entrepreneurs. Entrepreneurs are initially encouraged to create the

perception of legitimacy even though the venture has not yet achieved that legitimacy (Rutherford et al., 2009).

In support of this, researchers such as Aldrich (1999) and Delmar and Shane (2004) concluded that entrepreneurs who actively work to develop legitimacy in the start-up stage increase venture development and survivability. In turn we can confidently ascertain that entrepreneurs who proactively construct a perception of legitimacy within the initial threshold create the platform for realising legitimacy and encourage eventual success (Rutherford et al., 2009).

Legitimacy can be gained in varying ways and throughout an organisations lifecycle. This paper however focuses on the formulation of legitimacy in the formative stages of organisational development through strategic legitimisation activities. Aldrich and Fiol (1994) argue that in the formative stages an entrepreneur cannot build legitimacy on objective external evidence due to a lack of knowledge about the new venture and its actions. In an effort to overcome this limitation an "entrepreneur must engineer consent, using powers of persuasion and influence to overcome the scepticism and resistance of guardians of the status quo" (Dees & Starr, 1992, p. 96).

New venture entrepreneurs struggle to project an impression of legitimisation, as they have "no tangible evidence that such actions will pay off" (Aldrich & Fiol, 1994, p. 651). When evidence does not exist entrepreneurs can make use of "simplified, stylised and symbolised" communication (framing) that expresses convention and belonging (Hawthorn, 1988, p. 114). Simulation of appropriate and socially sought after traits increases a ventures chance of being recognised as a plausible reality. Aldrich and Fiol

(1994) liken the act of legitimisation to a producer directing great theatre; an artificial reality is fabricated for onlookers.

Framing communication is a valuable means of achieving legitimisation; predominantly when communication is framed symbolically and in accordance with social expectations and indicators of legitimacy. Furthermore, framing communication as inclusive, abstractive or aspirational has been found to positively contribute to an organisations legitimacy (Fiol, Harris & House, 1999; Howell & Higgins, 1990). From these findings it can be deduced that the manner in which entrepreneurs frame their ventures will aid in credibility creation and legitimisation (Aldrich & Fiol, 1994).

Rindova, Barry and Ketchen (2009, p. 485) put forward the notion of “making declarations” and describe its function as “the need to position the project in the webs of meaning within which stakeholders interpret the value of products and activities”. Inferring from this entrepreneurs strategically attempt to influence the interpretations of stakeholders (Rindova et al., 2009).

While declarations can take many forms, it is typically those that mimic norms or entity based expectations that have the greatest chance of positioning themselves appropriately and influencing stakeholder interpretations. Conformity based declarations are referred to as coercive isomorphism and can be broadly defined as the pursuit of legitimacy through conformity to societal values, norms and expectations of constituents (DiMaggio & Powell, 1983). Meyer and Rowan (1977) stated that to onlookers; this conformity suggests an organisation’s validity and passes hints as to its function and societal standing. The use of coercive isomorphism is

valuable for new ventures that lack widespread awareness; as it communicates stakeholder specific preconditions as well as provides a base for future legitimisation (Ashforth & Gibbs, 1990).

Ashforth and Gibbs (1990) draw attention to the different techniques that will likely be employed depending on the focus of the entrepreneur. Broadly entrepreneurs can focus on extending legitimacy, maintaining legitimacy and defending it. However this paper will only focus on the extension of legitimacy as this is the core directive of strategic legitimisation.

In a new venture's formative stages entrepreneurs attempt to extend the ventures legitimacy and establish its presence (there is no legitimacy at this stage to be maintained and defended). The extension of legitimacy refers to adding to the current level of legitimacy. Legitimation strategies at this stage are appropriately intense and proactive whilst attempting to attract potential stakeholders (Ashforth & Gibbs, 1990). In extending legitimisation entrepreneurs must strike a balance between the use of symbolic gestures and substantive actions. Doing so allows for comprehensive legitimisation development and sequentially encourages venture development (Ashforth & Gibbs, 1990). This said the use of symbols (or symbolic gestures) must not be discredited; symbols have the ability to adapt into perceived substance if entrepreneurs and stakeholders buy into the symbolic message and respond accordingly.

Ashforth and Gibbs (1990) note that the least legitimate ventures have the highest need to gain legitimacy. Furthermore the effort required to gain legitimacy at this

stage is significant. Simply Ashforth and Gibbs' (1990) propositions support the notion that the need and effort required for legitimacy is highest in the formative stages of venture development.

2.5 Strategic legitimacy

Research in the realm of legitimacy is segregated into various focal points that each place the source of legitimacy on different elements. This research paper exclusively focuses on legitimacy that is derived from activities performed by founding entrepreneurs. This research builds upon the findings of Tornikoski and Newbert (2007) research, in which the importance of strategic legitimisation is emphasised.

Strategic legitimacy is a form of acquiring legitimacy that is derived from proactive actions initiated by entrepreneurs. These initiatives are usually tangible or visible, and exist (in part) to increase the perceived legitimacy of a venture. Strategic legitimisation can be performed at any stage of venture development; however this study only takes into account strategic legitimisation that occurs in the formative stages.

As strategic legitimisation is a form of acquiring legitimacy; it is assumed that actions and techniques will be actively employed. Referring to these actions as strategic legitimisation techniques places emphasis on the proactive employment of procedures and actions. Thus highlighting the importance of the entrepreneurial decision to engage in these activities.

This paper recognises the ability of the organisation to manipulate and actively develop legitimacy through the application of “evocative symbols” or legitimacy techniques (Tornikoski & Newbert, 2007, p. 315). This active development of legitimacy is referred to as strategic legitimisation and moves beyond reliance of passive characteristics in an effort to ensure survivability (Tornikoski & Newbert, 2007).

2.6 Legitimacy and industry maturity

The level of industry maturity in which an organisation exists has a tangible effect on both organisations that already exist in the maturity conditions and new ventures that enter the industry. However, ventures that enter an industry in its formative years are challenged by factors and environmental conditions that are distinctive in comparison to those ventures who enter industries that are mature in nature (Aldrich & Fiol, 1994). Furthermore it is argued that ventures entering an industry in its formative years are susceptible to much higher liabilities of newness (Aldrich & Fiol, 1994).

The link between industry maturity and venture development has previously been demonstrated by Hannan and Freeman (1989), where they illustrated the negative effect of low industry maturity on venture development. This phenomenon exists as new ventures lack appropriate legitimacy as individual firms. Additionally the industry as a whole lacks legitimacy due to the small number of industry players (Meyer & Scott, 1983).

It is important to note that industry maturity and the time that it takes for industry to become established are not constant truths, but vary dynamically depending on a

multitude of factors such as environmental conditions and “economic technical considerations”. As such industry maturity is not determined based on one-dimensional characteristics such as industry age but rather evaluated independently in a holistic manner (Klepper & Graddy, 1990, p. 34).

With this said researchers (Hannan & Carroll, 1992; Stinchcombe, 1965) have identified the relative number of industry players as the strongest identifier of industry maturity. Hannan and Carroll (1992) reason that this is true primarily because the new players have little examples of success to emulate and that they initially operate in an environment that does not understand or acknowledge their existence. As an industry matures so it realises legitimacy through widespread knowledge about the new industry and the acquisition of cultural norms and acceptance (Ranger-Moore, Banaszak-Hoill & Hannan, 1991).

2.7 The double edged sword

As discussed previously entrepreneurs seek to attract legitimacy by appealing to constituents social judgements. However by appealing and protesting excessively organisations run the risk of being perceived as manipulative and illegitimate (Ashforth & Gibbs, 1990). Ashforth and Gibbs (1990, p. 177) describe this phenomenon as the “double edged sword” and suggest that in some instances attempting to create perceived legitimacy may result in the destruction of legitimacy.

This can be attributed to the notion that constituents are “not simply passive consumers of legitimisation practices” (Ashforth & Gibbs, 1990, p. 191). Constituents tend to discount legitimisation practices when the perception of an organisation's

accredited legitimacy is low; because the purpose of the practices becomes overtly apparent. Thus new venture entrepreneurs are confronted by a critical paradox: “the very need for legitimacy may trigger events which prevent the realisation of that need” (Ashforth & Gibbs, 1990, p. 191).

Reasoning suggests that caution must be exercised when constructing legitimisation strategies so not to protest excessively and bring about the negative effects that accompany the double edged sword. New ventures must place extra emphasis on this issue so as to avoid attracting early stigmatisation that will make future legitimisation and venture success problematic (Ashforth & Gibbs, 1990).

2.8 The legitimacy trap

Theorists such as Reed and DeFillippi (1990, p. 98) have long placed much value and critical importance on a new ventures “uniqueness” and “imperfect imitability”. These characteristics are a source of differentiation and provide the much sought after competitive edge. In contrast legitimacy by its nature exploits characteristics and activities that encourage familiarity and trustworthiness. From this it is apparent that legitimacy and uniqueness have a practical conflict. Aldrich and Fiol (1994) suggest that uniqueness must be counter balanced with legitimisation. Legitimacy does not need to overly dilute the core venture but rather supplement its existence by drawing appropriate ties to the familiar.

Rindova et al. (2009) extend this rationale by noting that a paradox is created as entrepreneurs who seek novelty become controlled by the behaviours and activities they employ to gain legitimacy.

2.9 The diminishing marginal returns of legitimacy activities

Much of the past literature has predominantly argued in favour of legitimacy (Delmar & Shane, 2004; Hannan & Carroll, 1992; Ranger-Moore et al., 1991). While this paper does not intend to down play importance of gaining and maintaining legitimacy (most notably for nascent ventures), it puts forward the notion that the use of legitimacy techniques are bestowed the laws of diminishing marginal returns. The recognition of this allows for the possibility of over legitimisation. Entrepreneurs must thus avoid focusing too much on legitimising activities at the expense of actually building the business. Furthermore attention must be drawn to the concept that due to the diminishing marginal value of legitimacy and scarce access to resources (compounded in formative years); entrepreneurs that devote all their resources to establishing legitimacy run the risk of impeding growth and survivability.

While the bulk of literature sites the importance of legitimising; the concept of diminish marginal value is not conceptually polarised and is fundamentally supported by Ashforth and Gibbs (1990) and Rindova et al. (2009). Importantly Ashforth and Gibbs (1990, p. 177) note that constituents “discount” legitimisation practices when an organisation is accredited legitimacy is low and that protesting excessively may bring about the negative effects. From this it can be appreciated that legitimising activities diminish in value and that nascent ventures possibly experience the most elastic returns on legitimising activities.

2.10 Chapter conclusion

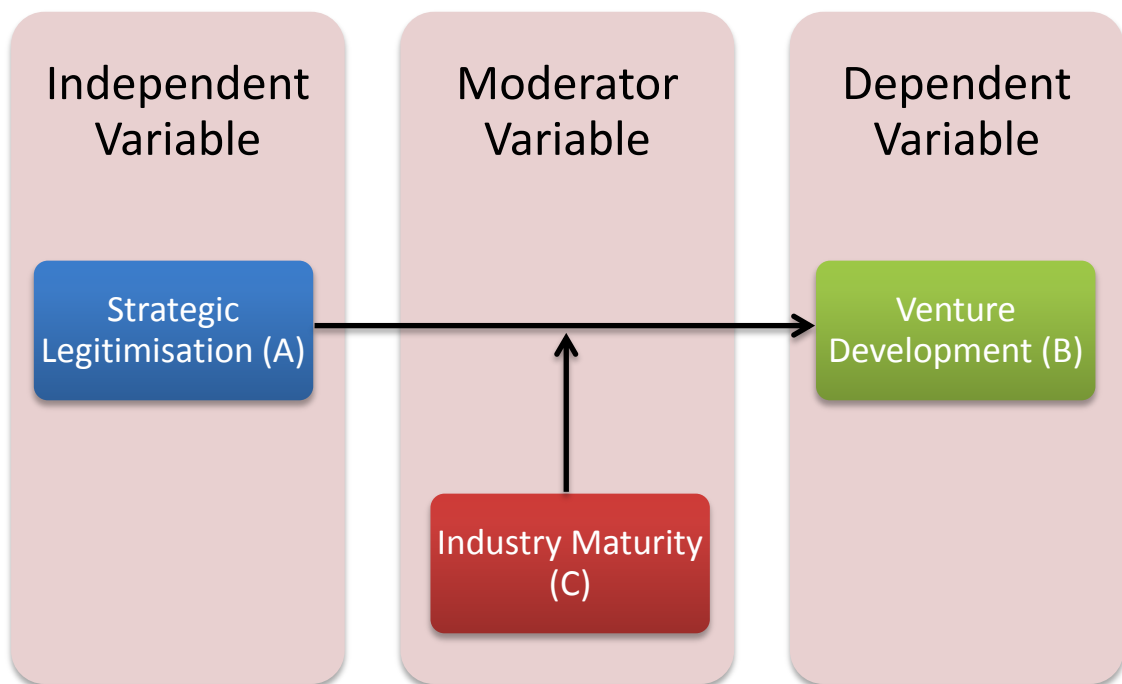
This chapter focused on developing an argument from the principle legitimisation literature around the need for the research and explored legitimisations impact on ventures. Additionally the effectiveness of legitimisation strategies under distinct contextual environments was inspected. Furthermore the concept of the legitimacy threshold and its influence on venture development as well as the undesirable effects of legitimacy engagement were unpacked.

The following chapter puts forward the precise purpose of the research as well as contextualises the hypotheses in terms of the literature.

Chapter 3: Hypotheses and research question

The objective of this study was to determine the relative impact of strategic legitimisation activities on venture development. Through a review of the literature and supporting statistical procedures, strategic legitimisation activities were transformed into a scale. The hypotheses developed concerned themselves with the variables displayed in the figure below.

Figure 3.1: Overview of research variables



3.1 Independent variable

The independent variable in this study was the strategic legitimisation activities employed by entrepreneurs in the formative stages of a new venture. Strategic legitimisation was measured by assessing an entrepreneur's historic recollection of their tendency to employ strategic legitimisation activities.

3.2 Dependent variable

The dependent variable in this study was venture development. Previous works primarily cite growth as the key performance and success indicator (Brush & Vanderwerf, 1992; Danson, 1999; Hmieleski & Baron, 2009). For the purposes of this study, growth was measured according to revenue achievements. Thus revenue achievement was the measurement tool used to assess venture development.

3.3 Moderator variable

The moderator variable in this study was industry maturity. Industry maturity describes the broader industry environment in which a venture operates and to an extent the industry's level of development. Industry maturity was measured against discrete maturity categories and made use of the industry maturity continuum (expanded upon in chapter 4).

3.4 Hypotheses

Hypothesis 1: *The use of strategic legitimisation techniques in the formative stages of a new venture has a positive impact on venture development.*

Prior research (Delmar & Shane, 2004; Ranger-Moore et al., 1991) suggested that conducting legitimising activities has a positive impact on venture survivability and success. As constructing a socially desirable perception of a venture allows an organisation to overcome the legitimacy threshold and in turn reap the benefits of legitimacy (Aldrich, 1999).

While the literature (Ashforth and Gibbs, 1990; Rutherford et al., 2009; Zimmerman & Zeitz, 2002) predominantly argues in favour of broader legitimacy practices; the extended impact of strategic legitimisation practices employed in formative stages of a new venture; had yet to be empirically explored through a retrospective measurement instrument.

Hypothesis 2a: *The use of strategic legitimisation in the formative stages of a new venture has exponential value returns until a point with relation to venture development.*

Legitimacy theorists Zimmerman and Zeitz (2002) posed the concept of a legitimacy threshold; hypothesising that ventures will struggle to survive if they are unable to gain legitimacy and overcome the legitimacy threshold. While organisations able to

generate desirable legitimacy are positioned to overcome the confines of the legitimacy threshold and go on to reap the benefits of further legitimacy. Thus new ventures able to overcome the legitimacy threshold stand to realise superior revenue growth.

Furthermore, successful entrepreneurial organisations starting off a low base are expected to realise exponential value returns against strategic legitimisation activities. This is as entrepreneurs that are able to break the legitimacy threshold will attract endorsement from “powerful collective actors” and in essence begin to develop a snowball effect of legitimacy benefits (Rutherford et al., 2009; Stinchcombe, 1968, p. 171).

Hypothesis 2b: *Beyond a point the use of strategic legitimisation in the formative stages of a new venture has diminishing marginal value returns with relation to venture development.*

Prior research by Ashforth and Gibbs (1990) and Rindova et al. (2009) cautioned against excessive use of legitimising activities. Suggesting excessive legitimisation may bring about negative stigmatisation and survivability implications.

From this it is derived that excessive and disproportionate use of legitimising activities eventually yield diminishing marginal value returns. Furthermore, Ashforth and Gibbs (1990) note that over legitimisation may make future legitimisation and venture success problematic. Thus while academic literature (Ashforth & Gibbs, 1990;

Rutherford et al., 2009; Zimmerman & Zeitz, 2002) predominantly argue in favour of legitimacy practices; aggressive or excessive use of strategic legitimisation practices is expected to have a negative impact on venture development.

Hypothesis 3: The relationship between strategic legitimisation techniques employed in the formative stages of a new venture and venture development strengthens under mature industry conditions.

Prior research (Aldrich & Fiol, 1994; Hannan & Freeman, 1984) suggested that ventures entering industries in their foundational years are required to engage in higher levels of legitimisation activities to overcome the legitimacy threshold. Thus strategic legitimisation activities have a potentially stronger impact on venture development under mature industry conditions as the activity intensity required to overcome the legitimacy threshold is lower under these conditions.

3.5 Chapter conclusion

This chapter defined the precise purpose of the research as well as contextualised the hypotheses in terms of the literature. The following chapter provides details of the methodology employed and addresses the associated limitations.

Chapter 4: Research methodology

4.1 Choice of methodology

The research design was fundamentally quantitative and made use of descriptive analysis. Furthermore the research had a deductive emphasis with a focus on testing a previously conceived theory base.

Saunders, Lewis and Thornhill (2009) stated that descriptive studies are useful when the phenomenon being researched is well defined and understood in previous literature. While the effect of strategic legitimisation techniques on venture development had yet to be empirically tested, the legitimacy construct and strategic legitimisation had been explored in-depth.

Zikmund (2000) prescribes that descriptive studies are designed to describe characteristics of a phenomenon. Application of the theory base to this study yields: strategic legitimacy techniques in relation to venture development.

Zikmund (2000) further emphasised that descriptive research attempts to conduct inquiries such as who, what, when, where and how. In this instance:

- What strategic legitimisation techniques are being used in the formative stages of new ventures?
- What is the comparative (relative) effect of legitimisation techniques employed in the formative stages of a new venture on the subsequent development of the venture?

- When does the use of strategic legitimisation in the formative stages of a new venture have diminishing marginal value returns with relation to venture development?
- When do new ventures cease to collect benefits from the use of additional strategic legitimisation techniques?
- How does industry maturity in which a new venture operates impact the effectiveness of strategic legitimisation techniques employed?

4.2 Population

The population consisted of entrepreneurial ventures in South Africa that met the following confines.

- The founder(s) of the venture were (at the time of the study) actively involved in the business.
- The entrepreneurial venture had been in existence for between 2 and 10 years.
- Franchises were excluded from the study.

The population criteria were set for the following reasons:

Founder involvement in the business was considered significant as they were the principal source of information and will most likely have had the most comprehensive understanding and recollection of historical events. A venture age limit of 10 years was enforced in an effort to limit retrospective bias and counter memory distortion.

Whereas, franchises were excluded from the study as many of their legitimisation techniques are predetermined and prescribed by the franchise group.

Table 4.1: Population criteria

Population Criteria	Qualifying Value
Company Age	>2 < 10 Years
Founder Actively Involved	Yes
Company is Not a Franchise	Yes

4.3 Unit of analysis

The unit of analysis was entrepreneurial ventures in South Africa. Welman and Kruger (2002) referred to the unit of analysis as the elements of the population. As such the entrepreneurial ventures were subject to the population criteria as defined above. The entrepreneurial venture was considered to be the appropriate unit of analysis as this study was concerned with exploring legitimacy and growth of the organisation. Furthermore it is important to note that as information cannot be extracted from the venture due to its abstract nature; the founding entrepreneur(s) were the primary source of information. As such information obtained from the founding entrepreneurs was inferred to the organisation.

4.4 Sample size and sample method

The research report make use of non-probability sampling. Welman & Kruger (2000) stated that utilising non-probability sampling prohibits expressing the probability of inclusion of the unit of analysis however the sampling method provided a simplified and more economical approach. Specifically a quazi haphazard-snowball sampling

method was employed as the combination provided expedient and timely access to the sample (Zikmund, 2000).

The sample was compiled of ventures from the advertising, construction and the information technology industries only. The industries were chosen as they were believed to be represented of a cross section of industries; and simultaneously aided expedient data collections. The use of limited industries is acknowledged as a short coming of the study, however was considered acceptable for the purposes of the study.

A sample of 91 entrepreneurial businesses that met the sample criteria was obtained. The sample was made up of ventures found through business directory listings, personal networks, extended networks as well as collaborated through the research stream (discussed below). The sample attempted to capture an even spread over industry maturity conditions. The sample size collected was considered sufficient for the statistical procedures conducted.

Respondents were screened prior to questionnaire administration to ensure compliance with the population criteria. Screening and population criteria were additionally confirmed at the start of the questionnaire. Responses that did not meet the population criteria were disregarded and not included in the study.

While the sample size allowed for statistical analysis within the sample, the use of a non-probability sampling technique prevented the projection of the data beyond the sample (Zikmund, 2000).

4.5 Data gathering process and research instrument

4.5.1 Research instrument

Mono method quantitative data collection was employed in the form of a closed face-to-face questionnaire which was ultimately supplemented with quantitative data analysis procedures.

A personal survey was conducted with respondents where a face-to-face questionnaire was used for the purposes of this study. Respondents were contacted by email and/or telephone and invited to partake in the survey. After a respondent expressed interest in partaking in the survey; a time was set up to conduct the questionnaire.

It is important to note that this research project formed part of a research stream. Several researchers were involved in the administration of the questionnaire and the subsequent data collection processes. This approach allowed for a more efficient collection of a large sample that was required for complex statistical procedures.

The questionnaire employed (Appendix A) was made up of the following parts:

- Instructions – The first section informed the respondent of the purpose and guidelines to completing the questionnaire as well as requested respondent consent.
- Strategic legitimisation – The second section sought to ascertain the strategic legitimisation techniques employed in the formative stages of the new venture.

Statements to this effect were measured on a five-point Likert scale in an effort to obtain sufficient discrimination.

- Industry maturity – The third section requested industry information. This information was used to categorise industries by maturity conditions. Maturity responses were nominal scaled and categorically coded.
- Control variables – The fourth section requested information used for control purposes.
- Venture development – The final section included questions pertaining to the historical development of ventures in terms of revenue achievements.

As noted previously the questionnaire was conducted face-to-face. This form of survey was selected to increase completion rates as well as limit spoilt ballots. Furthermore face-to-face surveys were conducted to ensure that respondents fully understood the questions being asked. Care was taken to avoid leading respondents into specific answers (Zikmund, 2000).

Respondent error was curtailed by attempting to limit both the nonresponse error and well as response bias (Zikmund, 2000).

Nonresponse error was primarily limited through leveraging the referral system that is inherent to the snowball sampling method. Response bias in the forms of deliberate falsification and unconscious misrepresentation was limited by reducing the presence of interviewer bias and social desirability bias. This was achieved through interviewer coaching within the research stream.

4.5.2 Construct and scales

4.5.2.1 Developing the strategic legitimisation construct

Previous peer reviewed works have both put forward a definition of strategic legitimisation as well as have attempted to measure the construct (Tornikoski & Newbert, 2007). While exploratory works have provided the foundation for the advancement of the construct; the construct had yet to be tested retrospectively through fixed a response questionnaire. As such no comprehensive list of construct items exists in academic peer reviewed resources. Rather multiple authors have put forward and tested various elements of the greater legitimisation construct (Aldrich & Fiol, 1994; Certo, 2003; Deephouse, 1996; Delmar & Shane, 2004; Elsbach & Sutton, 2003; Tornikoski & Newbert, 2007). The empirical findings of Tornikoski and Newbert (2007) officially put forward the notion of strategic legitimisation in the paper titled *'Exploring the determinants of organisational mergence: A legitimacy perspective'* and offered insight into the function and form of strategic legitimisation activities.

As noted above a comprehensive list of items that underwrite the strategic legitimisation construct had yet to be established or recognised. The absence of published construct items lead to the need for development and creation of a measurement instrument that would allow for closed scale responses through a retrospective face-to-face survey (Blair & Czaja, 2005).

In developing the construct; legitimisation items were initially identified from the legitimisation literature universe through the guidance of Tornikoski and Newbert (2007) strategic legitimisation contributions.

Additionally redundant, equivocal and non-strategic activities were removed. This procedure resulted in the identification of six broad strategic legitimisation areas as displayed in table 4.2.

Table 4.2: Initial strategic legitimisation areas identified

Strategic Legitimisation Areas Identified	Primary Supporting Literature
High Profile Representation	Certo (2003) Aldrich and Fiol (1994)
Development of Professional Perception	Tornikoski and Newbert (2007)
Business Plan Communication	Delmar and Shane (2003) Tornikoski and Newbert (2007)
Media Utilisation	Deephouse (1998) Tornikoski and Newbert (2007)
Purposive Story Telling	Neilsen and Rao (1987)
Professional Association	Zimmerman and Zeitz (2002)

4.5.2.2 Item development

The survey items generated attempted to capture the broad strategic legitimisation areas identified while concurrently providing a platform that allowed for measurement, ease of use and an understandable scale.

A collaborative and iterative approach was adopted during the item development process (Saunders et al., 2009). The development process consisted of translating the identified broad areas into suitable survey items. Items were primarily iterated to ensure ample area coverage and area representation which simultaneously acted to cultivate logical and interpretable language utilization (Blair & Czaja, 2005; Welman & Kruger, 2002). Research stream collaboration was adopted to leverage multi-person application to the process; while the macro process was facilitated and guided by an

entrepreneurship and legitimisation expert (Greg Fisher, Foster School of Business, University of Washington) in an attempt to promote reliability (Zikmund, 2003).

In addition to the techniques described above; the use of clear language, qualitative testing techniques and the application of a 5-point Likert scale were used to expedite item development (Saunders et al., 2009; Zikmund, 2003).

The item development process provided a measurement scale comprising of six items that were best thought to capture the strategic legitimisation techniques performed by entrepreneurs.

The completed survey items were placed online using Catalyst WebQ, a web based survey client. See Appendix B for screen capture.

4.5.2.3 Factor analysis

The online survey was distributed electronically to individuals who met the research population criteria. A haphazard-snowball sampling method was employed and 52 responses were obtained. This response level was considered acceptable as the number of respondents was greater than 5 times the number of variables (Osborne, 2008). A ratio of 8.7 was ultimately achieved and deemed acceptable for the purposes of factor analysis.

Following the completion of data collection; the data was cleaned, coded and exported to SPSS statistical software for factor analysis of the strategic legitimisation construct's underlying dimensions or regularity (Zikmund, 2003).

Factor analysis is a statistical procedure that attempts to summarise the information contained in a set of variables into a smaller number of factors (Zikmund, 2003). The quantitative technique allows for conceptual differentiation of the underlying dimensions in a phenomenon (Osborne, 2008). Statistically factor analysis investigates interrelationships of variables through the use of linear combination and allows for the fabrication of more abstract variables or underlying conceptual factors (Zikmund, 2003).

Principle component analysis as well as varimax rotation with Kaiser Normalisation were used in the factor analysis procedure. Two of the items were found to be cross loading and therefore were dropped, while the remaining four items loaded cleanly on two factors accounting for 61.6% of the total variance; as displayed in table 4.3. The Items identified to be cross loading and subsequently removed from the construct were:

- Business Plan Utilization
- Professional Association

Table 4.3: Factor analysis loading and variance

Component	Total Variance Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.361	34.036	34.036	1.361	34.036	34.036	1.285	32.114	32.114
2	1.104	27.600	61.636	1.104	27.600	61.636	1.181	29.522	61.636
3	.914	22.845	84.481						
4	.621	15.519	100.000						

There were found to be two underlying factors or dimensions of the strategic legitimisation construct, named: *appearance* and *attention*. The factor loading that led to the development of the *appearance* and *attention* factors can be seen in the rotated component matrix (table 4.4).

Table 4.4: Rotated component matrix

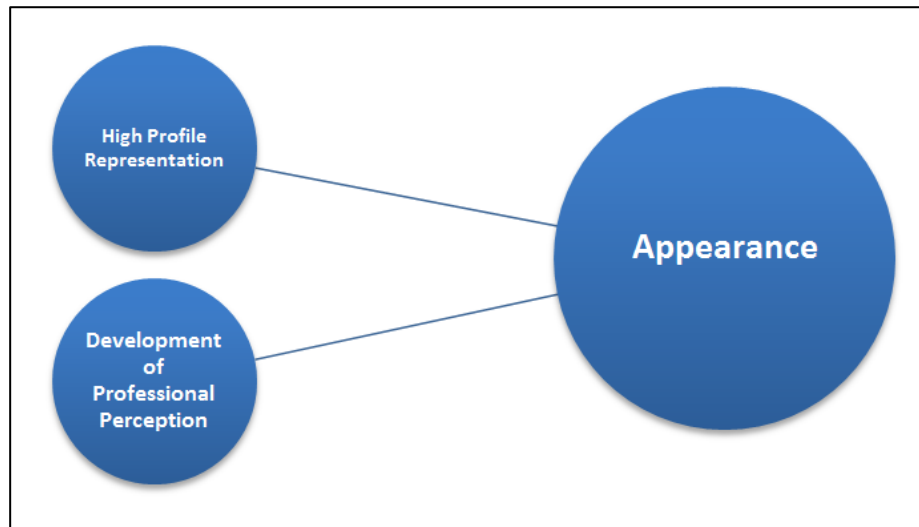
Rotated Component Matrix^a

	Component	
	1	2
Advisors	.075	.765
Professional	-.029	.645
Media	.752	.359
Stories	.845	-.226

The *appearance* factor was composed of two strategic legitimisation activities; (1) high profile representation and (2) development of professional perception. These strategic legitimisation activities were represented by the following survey items:

- consciously established a high profile board of advisors, board of directors and/or made use of a high profile figurehead
- actively tried to develop a professional perception of the business including, for example, creating a professional website, logo, business cards, establishing a dress code

Figure 4.1: Appearance factor and its associated items

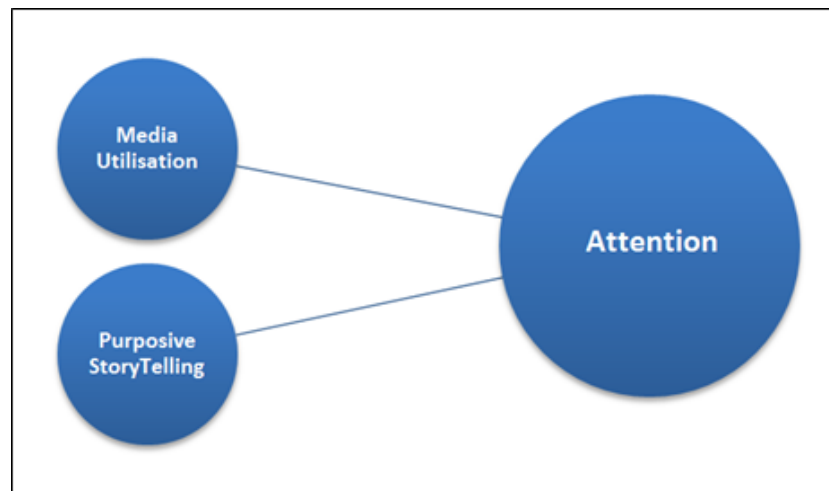


The appearance factor was named after the items inwardly focused development of appearance. Thus onlookers viewing the venture from a distance will be likely to make appearance judgments based on the extent to which these items have been developed.

The *attention* factor is composed of two strategic legitimisation activities; (1) media utilisation and (2) purposive storytelling. These strategic legitimisation activities were represented by the following survey items:

- actively tried to get the business mentioned in the media
- purposely told stories about my business

Figure 4.2: Attention factor and its associated items



The attention factor was named after the items outwardly focused appeals. Thus the market would be drawn to and notified of the ventures presence based on the items combined utilization.

The two factors and four items described above were utilised in the strategic legitimisation measurement instrument. As such the strategic legitimacy construct was comprised of two factors; appearance and attention. While the study focused on strategic legitimisation as a whole; the factors and their proportional impacts were explored in an attempt to add an element of depth to the study.

4.5.2.3 Time horizon

The research conducted used a cross-section time horizon in an attempt to capture a snapshot (Saunders et al., 2009).

4.6 Method of analysis

4.6.1 Statistical procedure

The research report made use of ordinal logistic regression analysis as well as curve estimation regression (Pallant, 2007).

Ordinal logistic regression analysis was utilised to examine the relationship between strategic *legitimation techniques* employed and *venture development* (hypothesis 1), as well as to observe the moderating effect of *industry maturity* (hypothesis 3).

Curve estimation regression was used to ascertain which curve best described the sample and in doing so determine the rate at which strategic legitimation provided growth value returns to entrepreneurs (hypothesis 3).

Regression analysis was used as it allowed measurement of associations between variables; additionally regression “attempts to predict the values” of the dependent variable “from the specific values of the independent variable” (Zikmund, 2000, p. 516).

The use of ordinal logistic regression was considered acceptable as the dependent variable was ordered and treated as categorical. Furthermore the treatment of data

as ordinal was considered suitable due to the inherent natural ordering of the responses (Pallant, 2007; Zikmund, 2003).

Moderated ordinal logistic regression analysis (Pallant, 2007) was deemed most suitable for the purpose of hypothesis 3, as it allowed for association measurement of the independent variable and dependent variable while simultaneously representing and measuring the effects of the moderator.

Note on normality: The data was not tested or adjusted for normality as the statistical procedures employed did not assume it (Pallant, 2007; Zikmund, 2003).

4.6.2 Strategic legitimacy

The strategic legitimacy construct was captured through the use of four distinct questions that attempted to capture the broad strategic legitimisation areas identified while concurrently providing a platform that allowed for measurement, ease of use and an understandable scale (described previously).

Findings however were interpreted from a construct or factor perspective. As individual items contain unknown validity, accuracy and reliability (Gliem and Gliem 2003).

Additionally it is important to note that the construct tested strategic legitimacy techniques that were applied in the formative stages of a new venture. Thus the study was concerned with entrepreneur's early stage strategic legitimacy activities and not subsequent legitimacy efforts.

The study furthermore made inference to levels of legitimisation activities. However the strategic legitimisation scale and its associated factors do not accurately measure intensity or volume. However for the purpose of this dissertation it is assumed that entrepreneurs 'strongly agreeing' to a response tended to engage in that activity more and to a dissimilar degree than an entrepreneur who responded 'somewhat agreed'. Thus ordinal ranking was afforded to strategic legitimisation responses.

4.6.3 Industry maturity

Industry maturity and the time that it takes for an industry to become established are not constant truths, but vary dynamically depending on a multitude of factors such as environmental conditions and "economic technical considerations" (Klepper & Graddy, 1990, p. 29). As such industry maturity was not determined based on one-dimensional characteristics such as industry age but rather evaluated independently in a holistic manner (Klepper & Graddy, 1990).

With this said the maturity of an industry in which a venture operated was determined on a case by case basis. As such expert discretion and judgement was used when evaluating the maturity of an industry in which a company existed. While discretion was employed, it was done in a controlled environment that leveraged industry indicators.

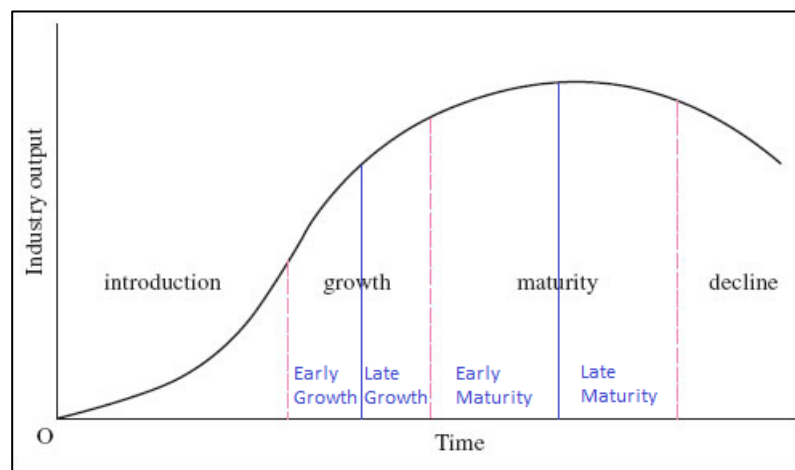
Practically a of group entrepreneurship experts were asked to determine the industry maturity in which an organisation operated. The experts were provided classification guidelines; that detailed descriptions of categorisation as well as contextualised each

company with quantitative and qualitative information. The primary industry maturity indicators used in industry maturity categorisation were: (1) the relative number of industry players, (2) age of the industry, (3) dynamism experienced in the industry and (4) the current and historical growth experienced by the industry. An example of company specific information that experts were provided with can be found in Appendix C. In the case where experts disagreed, round table debate was employed to come to a populous resolution.

Industry maturity was categorised against the industry maturity graph seen in figure 4.3 and as such was recorded as four (4) discrete categories; early growth, late growth, early maturity, late maturity and captured in the measurement instrument. Introductory and decline maturity stages were omitted from the study.

The growth and maturity stages were split into 'early' and 'late' in an attempt to provide depth into the mechanisms and environmental influences experienced along the industry maturity continuum.

Figure 4.3: Industry maturity graph showing industry maturity classification



4.6.4 Venture development

Venture development served as the dependent variable and as the measurement basis for both strategic legitimisation and the moderating effect of industry maturity. Significant findings were therefore those that were found to statistically impact venture development.

Previous works primarily cite growth as the key performance and success indicator (Brush & Vanderwerf, 1992; Danson, 1999; Hmieleski & Baron, 2009). For the purposes of this study, growth was measured according to revenue achievements. Thus revenue achievement was the measurement tool used to assess venture development. Revenue achievements were offset against venture age to allow for comparative baseline analysis.

Additional stage specific development information was captured, however it was exclusively utilised to bolster contextual understanding of the ventures (descriptive results).

Venture development information was collected at the end of the survey. This was done to reduce intimidation and allowed for rapport to be established before collecting sensitive information (Zikmund, 2000).

4.6.5 Control variables

Control variables were used to control effects within the analysis that may have had an effect on venture development (Saunders et al., 2009). As such, demographic characteristics of respondents were controlled to limit contextual interference and ensure that effects observed were those of the independent variable and not akin to the entrepreneur's inherent personal circumstance.

The following control variables were employed; adapted from Tornikoski and Newbert (2007) and Hmieleski and Baron (2009):

- Age - operationalised as the age in years of the respondent
- Race - operationalised as the race of the respondent (Black, White, Coloured, Indian, other)
- Gender - operationalised as the gender of the respondent (male, female)
- Education - operationalised as the level of education achieved (high school, diploma, bachelor's degree, master's degree, doctoral degree)
- Number of Founders – operationalised as the number of founding members

The demographic controls were collected towards the end of the survey. This was done to reduce intimidation and allowed for rapport to be established before collecting personal information, thus limiting the order bias (Zikmund, 2000).

4.7 Limitations

4.7.1 Sample bias

The use of non-probability sampling techniques created a bias towards personal networks and the extended networks employed. Additionally the sample was biased towards successful businesses and excluded failed businesses. However for the purpose of this research these limitations were deemed to be acceptable. Readers and users of this research and its findings should use their discretion and avoid population inferences (Saunders et al., 2009).

4.7.2 Data validity

The questionnaire made use of proxy values to measure variables. While care was taken to develop a measurement instrument that accurately measured the constructs, possible validity errors may have occurred around the variables (Zikmund, 2000). This error is the result of possible misalignment between the constructs and the measurement instrument. It is accepted that this misalignment inherently occurred and is deemed to be acceptable for the purposes of this study. In an effort to improve data validity the research report relied on past literature for development of constructs and measurement instruments.

4.7.3 Contextual factors

Contextual factors that may have affected the impact of strategic legitimisation techniques on growth are not considered or controlled for in this study. These factors

include the general economic conditions in which the business of the time operated. It is acknowledged that these and other contextual factors may have been influential however are considered out of scope and an acceptable limitation (Saunders et al., 2009).

4.7.4 Population validity

The nature of non-probability sampling techniques limited the extent to which findings can be inferred to the population (Welman & Kruger, 2002). Thus the finding cannot be accurately extended to the population. The survey results therefore must be interpreted as representative of the sample surveyed.

4.7.5 Respondent retrospective bias

Respondents answering questions about their strategic legitimisation and growth may have concealed venture failures or exaggerated venture successes. This limitation was particularly pertinent for this study as respondents were reflecting on historical events and may have displayed unconscious misrepresentation (Zikmund, 2000).

4.7.6 Interviewer bias

The surveys were administered face-to-face. Administering surveys in this fashion introduces the possibility of interviewer bias. The most likely interviewer bias to occur was social desirability bias (Zikmund, 2000); where respondents consciously or unconsciously manipulated responses in an effort to create a favourable impression. This was controlled for by creating a natural and non-threatening survey environment.

4.8 Chapter conclusion

This chapter provided a defence of the methodology used and gave details for the population, unit of analysis, sampling method and the data gathering process. Furthermore, the method of analysis was detailed and the major methodology limitations explored.

The following chapter presents the quantitative results of the research in terms of descriptive results and hypothesis specific tests.

Chapter 5: Results

This chapter provides results from the statistical analysis performed on the data from the completed questionnaires.

5.1 Description of the responses

The statistical analysis was performed on raw data using the SPSS data analysis software system. Prior to analysis; the data was cleaned by removing respondents who violated the population screening criteria, due to incorrect judgement used to initially screen respondents. Additionally list-wise deletion was enforced for respondents who failed to fully complete the survey (Hair, 1998). The cleaned data consisted of a data set containing respondents answers to 3 main questions consisting of 8 sub questions. Supporting the primary data were demographic responses on ethnicity, gender, education level and education type, number of founders.

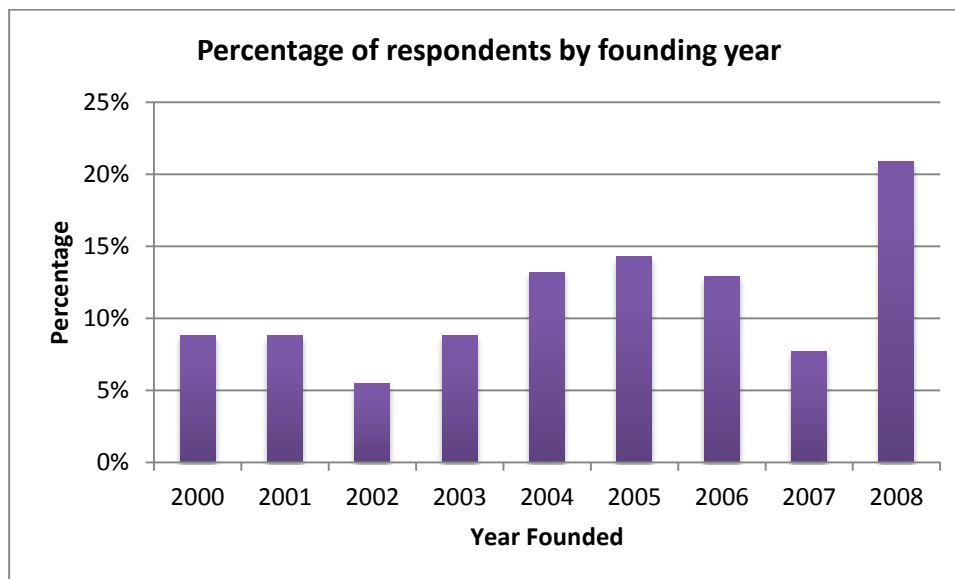
Of the 108 respondents targeted; 8 were excluded for failing to meet population criteria and 9 were excluded as a result of incomplete data. Thus a total of 17 responses were removed leaving a total of 91 survey responses that were used in statistical analysis. The removal of items was deemed necessary to ensure that that sampling method and the intent of the research was maintained.

5.2 Description of respondents

5.2.1 Business Age

The histogram in figure 5.1 illustrating total number of operational years, reveals that the majority of respondents had been operational since 2008 (mode). The second most occurring commencement year was 2005. Those respondents with organisations founded prior to 2004 are the minority with just over two thirds (68.1 %) of the sample having been founded in the last 6 years. Thus the sample was in favour of early stage ventures.

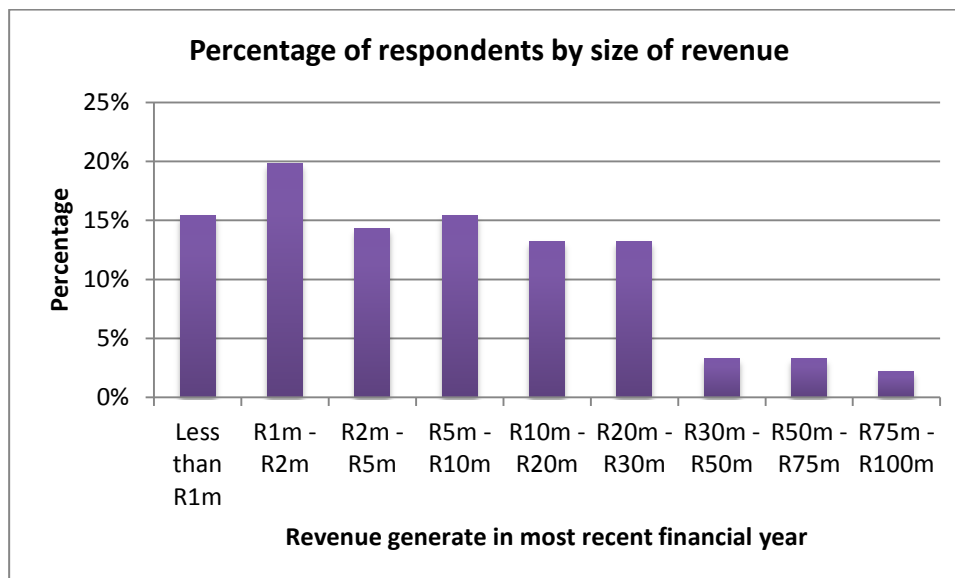
Figure 5.1: Percentage of respondents by founding year



5.2.2 Revenue

In terms of revenue (measured by most recent financial year), the majority of respondents (18.5%) posted revenue figures in the range of R1 000 000 – R2 000 000 (mode). The second most frequently occurring revenue band is ‘less than R1 000 000’ of reported revenue, followed by decreasing numbers of respondents posting 2-5 (median), 5-10, 10-20 and 20-30 Million Rand of revenue respectively. There were generally fewer respondents claiming sizable revenue figures, with 7.4% of respondents claiming revenue figures above R30 000 000. The sample was thus dominated by smaller companies in terms of revenue.

Figure 5.2: Percentage of respondents by size of revenue generated

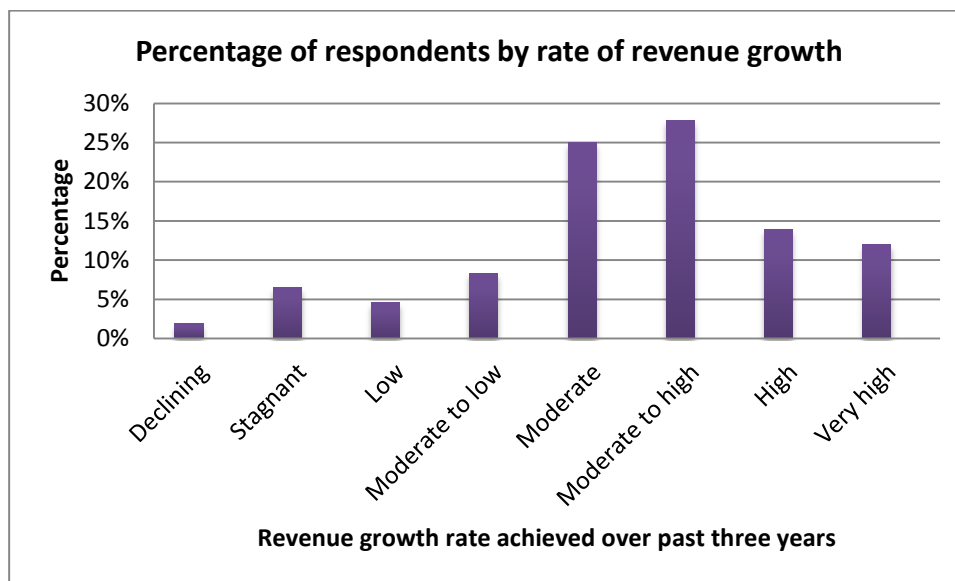


5.2.3 Revenue growth rate

Figure 5.3 shows a breakdown of the sample by revenue growth rate achieved in the past 3 years. The majority of respondents (27.8%) realise a ‘moderate to high’ (20%-30%) annual increase in revenue (mode and median). The second most occurring frequency ‘moderate’ (10%-20%) annual increase in revenue accounting for 25% of the respondents. Respondents reporting ‘low’, ‘stagnant’ or ‘declining’ annual increase in revenue were marginal and collectively account for 13% of respondents.

Respondents tended to cluster in higher revenue growth rates and as such the sample as a whole was biased towards companies experiencing higher growth.

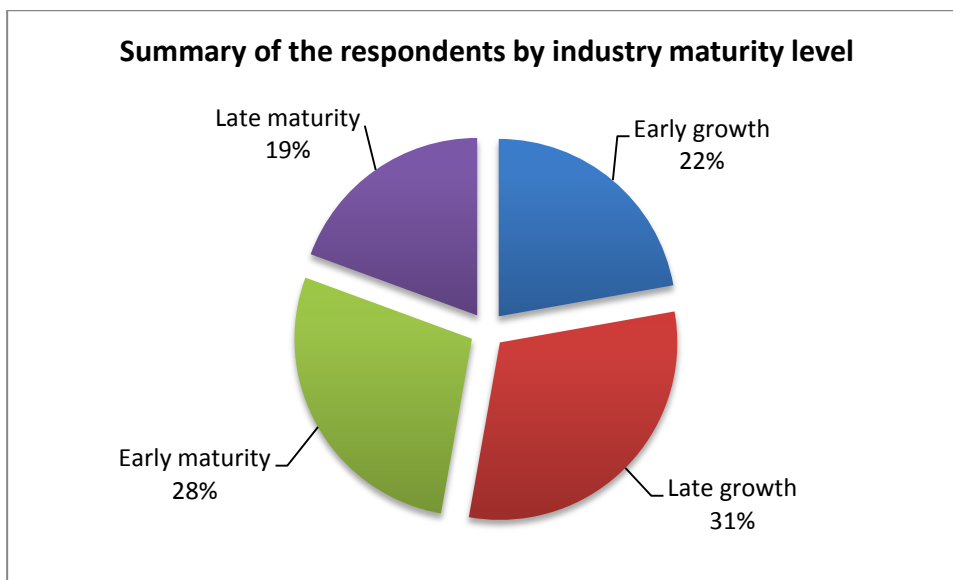
Figure 5.3: Percentage of respondents by rate of revenue growth



5.2.4 Industry maturity level

With regard to the industry maturity level in which respondents operated, 22.2% of respondents were found to operate in an 'early growth' industry; 30.6% in a 'late growth' industry; 27.8% in a 'early maturity' industry and 19.4% in a 'late maturity' industry. While most respondents operated in a 'late growth' industry (mode), the maturity levels were considered relatively representative and possessed no notable distinctions.

Figure 5.4: Summary of the respondents by industry maturity level



5.3 Descriptive statistics per scale

As illustrated in table 5.1 all the items had positive mean values. However high profile representation and media utilization had a mean value of .05 and .48 respectively, which is more representative of a neutral response. Attention (factor) and appearance (factor) as well as strategic legitimisation had positive mean values and a median of 1.00, indicating a broad tendency of respondents to agree; albeit a conservative tendency with a median and mode of 1 for strategic legitimisation out of a possible 3.

Table 5.1: Descriptive statistics per scale

	Mean	Median	Mode	Min	Max	Std. Dev.	Skewness
High Profile Representation	.05	.00	-1	-1	3	1.285	.954
Professional Perception	1.89	2.00	3	-1	3	1.269	-1.057
Purposive Story Telling	1.31	2.00	2	-1	3	1.473	-.444
Media Utilization	.48	.00	-1	-1	3	1.433	.486
Appearance (Factor)	.972	1.00	.50	-1	3	1.007	.060
Attention (Factor)	.896	1.00	2	-1	3	1.210	.000
Strategic Legitimation	.934	1.00	1	-1	3	.993	-.060

As can be seen in the last column (table 5.1), response distributions skewness fluctuated. Thus suggesting alternative entrepreneurial legitimisation activities and illustrates that items are not equally pursued. The altering skewness gives insight into the entrepreneurs active strategic legitimisation choices and the dynamic activity mixes employed.

5.4 Descriptive statistics of respondents strategic legitimisation

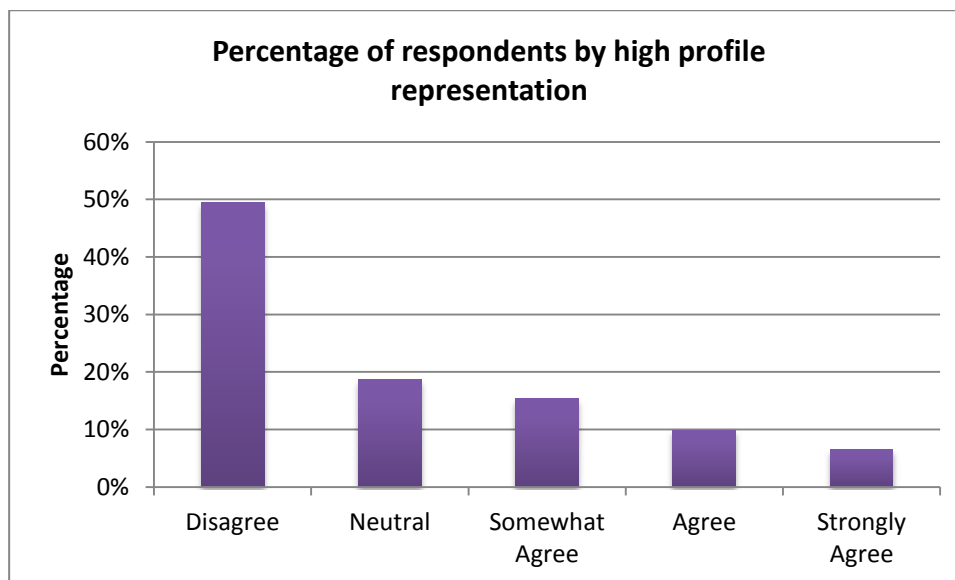
The frequency analysis parented did not assume equal interval scales, as such it is not possible to make inference as to the intensity or volume of the legitimising activities. But rather provides insight to the retrospective acuties of the strategic legitimisation activities performed during the formative stages of a new venture.

Thus the frequency analysis represents a count of respondents historical strategic legitimisation intent. More so the synopsis presents what entrepreneurs were doing at inception with no indication to their applied effectiveness.

5.4.1 High profile representation

Figure 5.5 illustrates entrepreneurs actions with regard to securing preliminary high profile representation. The majority of respondents 48.1% stated that they did not make use of a high profile advisor, board or figurehead (mode). The second most occurring frequency was 'neutral', accounting for 15% of responses. Respondents with positive answers to the notion were in the minority with 14% of respondents stating 'somewhat agree', 13% 'agree' and 9% 'strongly agree'.

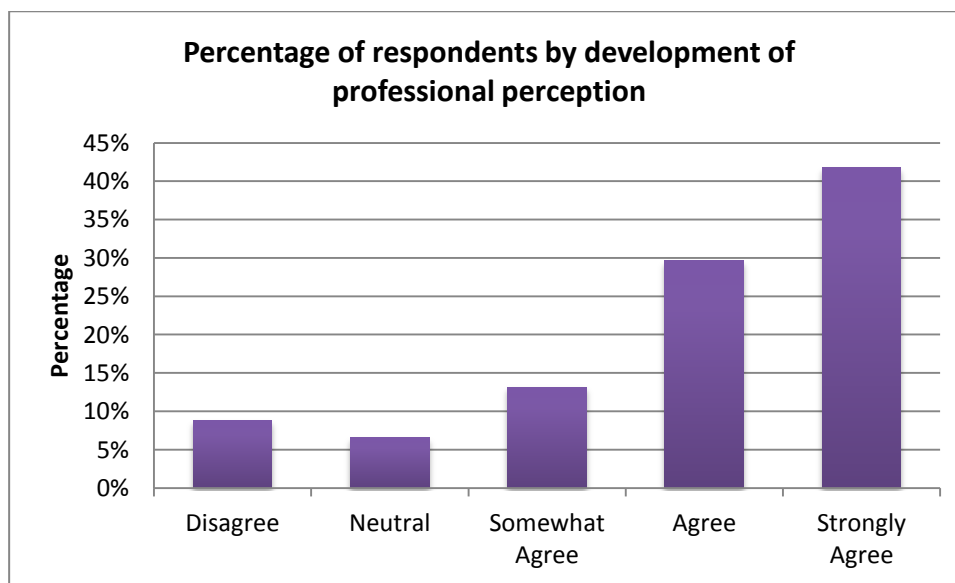
Figure 5.5: Percentage of respondents by high profile representation



5.4.2 Development of professional perception

With regard to the development of professional perception, the majority of respondents (48%) claimed to 'strongly agree' with actively developing a professional perception of the business. While 28% of respondents claimed to 'agree' and 15% of respondents claimed to 'somewhat agree'. Respondents claiming neutrality or a negative response are marginal and account for 5.5% and 6.5% respectively.

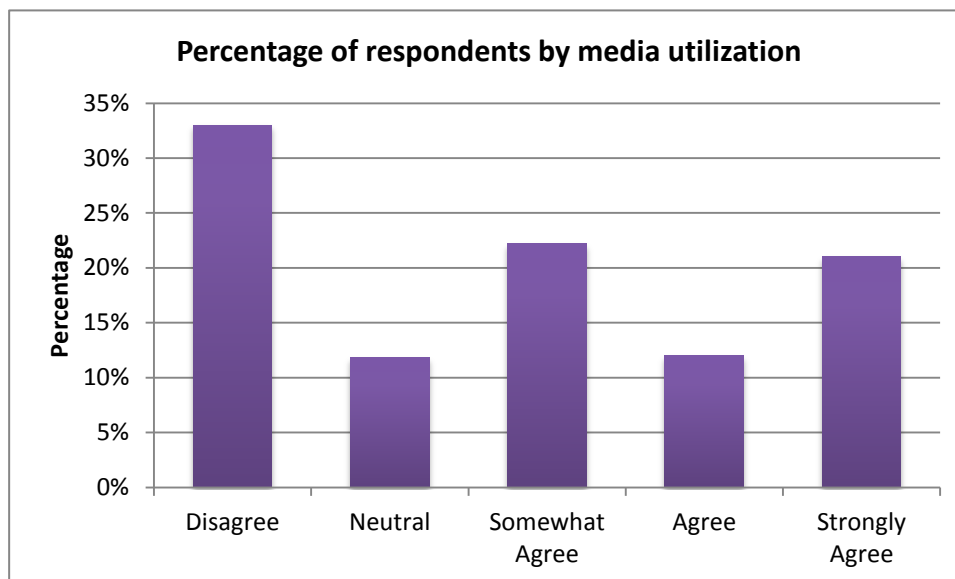
Figure 5.6: Percentage of respondents by development of professional perception



5.4.3 Media utilization

In terms of media utilization, 33% of respondents claimed to disagree with the notion of active formative stage media utilisation. While 22.2% claimed to 'somewhat agree'; 12% claimed to 'agree' and 21% claimed to 'strongly agree'. The distribution was tri-modal in nature, however respondents with positive acclaim for the item (somewhat agree, agree, strongly agree) accounted for 55.6% of respondents. As such little descriptive distinction is provided even between polarised responses (accept or reject).

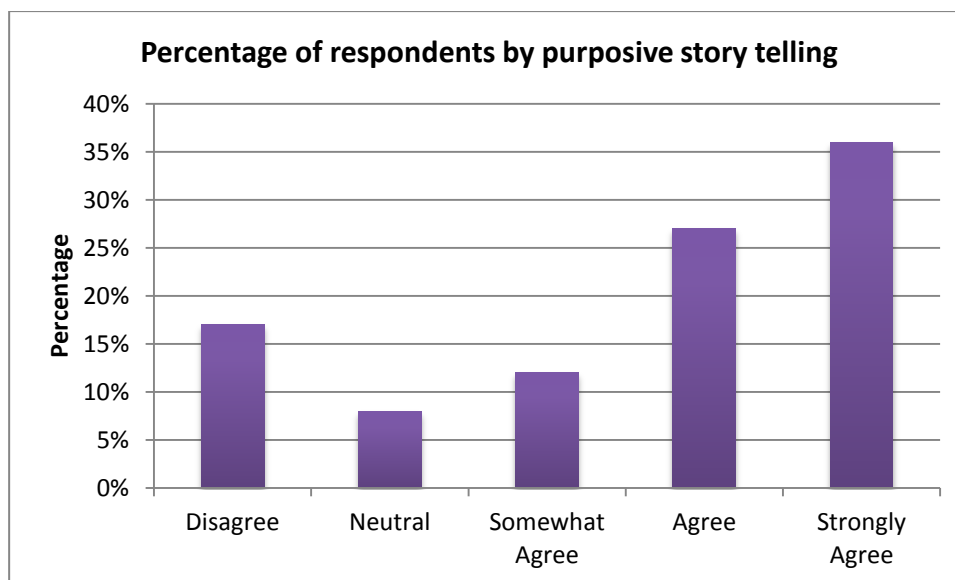
Figure 5.7 Percentage of respondents by media utilization



5.4.4 Purposive story telling

Figure 5.8 shows entrepreneurs actions with respect to purposive story telling. The majority of respondents (36%) stated that they 'strongly agreed' to purposely telling stories about their business (mode). The second most occurring frequency was 'agree', accounting for 27% of respondents. Respondents who tended to accept the notion were the majority (75%).

Figure 5.8: Percentage of respondents by purposive story telling



5.4.5 Summary of legitimisation activities

The frequency analysis presented below expresses the proportion of respondents who 'somewhat agreed', 'agreed' or 'strongly agreed' with the associated items. Thus summarising the positive acceptance of historical strategic legitimisation activities of the sample.

This approach provides a more comprehensive understanding of entrepreneurs legitimisation activities by expressing the construct, factors and items on a comparative scale. Allowing for simultaneous examination of entrepreneurs activity tendencies (expressed as discrete items, their factors and the construct). Factors with a summed average of one (1) and above are considered to be representative of positive legitimising activities, thus displaying an acceptance rate for the factors.

Table 5.2 gives insight into the percentage of respondents who responded positively (somewhat agree, agree or strongly agree) to the strategic legitimisation items, factors (appearance and attention) and construct. With 31.9% of respondents claiming high profile representation, 84.6% claiming development of a professional perception, 48.4% stating media utilization and 71.4% of respondents claiming purposive story telling.

Respondents found to action positive appearance and attention activities accounted for 54.9% and 56% respectively. While respondents found to engage in positive (construct wide) strategic legitimisation activities accounted for 54.9%.

Table 5.2: Summary showing percentage positive responses across the strategic legitimisation items, factors and construct.

Construct	Factors	Items
Strategic Legitimisation 54.9%	Appearance 56%	High Profile Representation 31.9 %
		Development of a Professional Perception 84.6 %
	Attention 54.9%	Media Utilization 48.4%
		Purposive Story Telling 71.4%

5.5 Psychometric properties of scale

The internal consistency of the strategic legitimisation scale was explored. Cronbach's Alpha was utilised as a measure of internal consistency. Cronbach's Alpha provides an average value for reliability coefficients that are attainable under dichotomous testing (Pallant, 2007).

Taking into account academic reasoning of (Saunders et al., 2009; Zikmund, 2003) an Alpha of .7 was considered to be an acceptable goal. The strategic legitimisation scale was found to have an acceptable internal consistency (>0.7).

The Alpha of individual line items could not be calculated, due to the unknown validity accuracy and reliability of single time internal consistency testing (Gliem & Gliem, 2003). In light of this, while this research infrequently makes use of single item questions in an effort to assess the data; it is done in an effort to add depth and insight into the mechanics of the data, rather than draw inferences (Gliem & Gliem, 2003).

Table 5.3 Internal consistency

	Cronbach's Alpha	Cronbach's Alpha on standardised items
Strategic Legitimation	.701	.701

5.6 Hypothesis 1

Hypothesis 1: *The use of strategic legitimisation techniques in the formative stages of a new venture has a positive impact on venture development.*

5.6.1 Overview of approach to statistical procedure

The following hypothesis test was considered in 2 stages. Firstly the impact of strategic legitimisation on revenue growth was explored. Secondly the significance of the attention and appearance factors was considered. Factor scrutinisation was employed to provide a detailed perspective of the constructs underlying temperament.

Control variables as detailed in chapter 4 were controlled for in the statistical tests presented below.

5.6.2 Motivation for ordinal logistic regression analysis

Ordinal logistic regression was used to assess the association between the dependent variable (strategic legitimisation) and the independent variable (venture development). For the purposes of this study venture development was measured according to a businesses achieved revenue whilst simultaneously taking into account the number of years operational.

Simple linear regression or the use of assumed straight line growth was considered insufficient for the purposes of the study, primarily due to the distorting impact of length time bias and lead time bias. As a result a generalised linear model (Type III),

making use of ordinal logistic regression was adopted as it allowed for the inclusion of business age as an offset variable (Pallant, 2007; Saunders et al., 2009; Zikmund, 2003).

Additionally the statistical procedure allowed for ordinal ranking of the dependent variable, thus treating the revenue bands as *orders of entrepreneurial achievement* rather than distinct revenue values. This was desirable as the ordinal 'levelling' of revenue growth superseded the need for actual revenue figures. The study is thus more concerned with the offset ordinal growth achieved by entrepreneurial ventures than their discrete revenue growth.

In practice the Wald hypothesis test's significance value was examined as the statistical measure between the two variables. Simultaneously, the parameters β 's were explored to provide insight into the proportional impact that variables had on the dependent variable. The larger a coefficient's negative β is, in comparison to the base parameter (consistently set as -1 for Likert scale responses), the greater the relative impact of the variable. Thus the coefficients β 's were examined to determine the comparative effect of the independent variable (strategic legitimisation) on offset ordinal growth (Pallant, 2007; Saunders et al., 2009; Zikmund, 2003).

Consideration was also given to the Goodness of Fit and the Omnibus Test. Both tests provide an overall indication of model performance. For the Omnibus Test, a highly significant value ($<.05$), indicated that the model was useful in predicting a response (or was a superior predictor when compared to the null model); while a p value

greater than .05 for the ‘Goodness of Fit’ test indicated the presence of a ‘good’ model-data fit (Pallant, 2007).

Ordinal logistic regression was thus the most suitable method for testing this hypothesis in that, the effects of the independent variable was assumed to be invariant across the dependent variable and in-turn provided acumen to variable correlation. Furthermore it allowed testing of differing levels of strategic legitimisation as plotted against an ordinal scale as well as provided a robust scale offset instrument for contextual handling of variables.

5.6.3 Model performance

As can be seen in table 5.4 the Omnibus Test produced a significance value of .000 ($p < .0005$), thus indicating that the model was useful in predicting a response. While the Goodness of Fit test produced a p value of 0.274 (Pearson Chi-Square), indicating a ‘good’ model-data fit (Table 5.5). It can therefore be concluded that there is support for the model and that it can be used as an instrument from which to draw evidence.

Table 5.4 Omnibus test

Likelihood Ratio Chi-Square	df	Sig.
134.396	21	.000

Table 5.5 Goodness of fit

	Value	df	Value/df	p value
Pearson Chi-Square	704.760	683	1.032	.274

5.6.4 Findings

As can be seen in table 5.6 strategic legitimisation appears to have had a significant impact ($p < .0005$) on revenue growth. Exploration of strategic legitimisation broken down into its scale response combinations sought to confirm the significance of the independent variable's impact on revenue growth. Examination of the parameter estimates (Appendix D) revealed that strategic legitimisation provides a significant impact on revenue growth from a point of neutrality (.0) and upwards (+3), while negative responses did not provide a significant impact. Increasing negative β 's suggested that the largest proportional impact is realised between 1.00 (somewhat agree) and 3.00 (strongly agree) with a β range between -3.818 (1.00) and -5.944 (3.00).

Table 5.6 Wald hypothesis test against revenue (strategic legitimisation)

Parameter	B	Std. Error	95% Wald Confidence Interval		Hypothesis Test		
			Lower	Upper	Wald Chi-Square	df	Sig.
Strategic Legitimation	-1.208	0.1475	-1.497	-0.919	67.06	1	.000

Similarly the attention and appearance factors were found in their own right to have had a significant impact on revenue growth with p values of .000 and .001 respectively (table 5.7). Exploration of the factors broken down into their scale response combinations (Appendix E) revealed that attention had a significant impact on revenue growth from a point of agreement (1.50) and upwards while appearance showed significance from slight agreement (.50) and upwards.

The attention factors β coefficients suggested that the relational impact of attention activities on revenue growth increased with the advent of increasing positive legitimisation activities (1.5 - 3). The appearance β coefficients suggested that the proportional impact of increased positive legitimisation activities was uniform in nature and that a similar impact on revenue growth could be expected even at low levels of positive appearance activities (.50-3). The β findings do not discount the impact of the attention and appearance factors, but rather provide insight into their range and conditions of their impact on revenue growth.

Table 5.7 Wald hypothesis test against revenue (attention and appearance)

Parameter	β	Std. Error	95% Wald Confidence Interval		Hypothesis Test		
			Lower	Upper	Wald Chi-Square	df	Sig.
Attention	-0.589	0.1505	-0.884	-0.294	15.304	1	.000
Appearance	-0.624	0.1888	-0.994	-0.254	10.94	1	.001

There was thus evidence to suggest that the use of strategic legitimisation techniques in the formative stages of a new venture had a positive impact on the venture's development. Indicating that entrepreneurs who chose to engage in strategic legitimisation activities during the formative stages of a new venture stand to achieve higher revenue growth rates.

5.7 Hypothesis 2a

Hypothesis 2a: *The use of strategic legitimisation in the formative stages of a new venture has exponential value returns until a point with relation to venture development.*

5.7.1 Overview of approach to statistical procedure

The following hypothesis test was considered in 2 stages. Firstly the impact of strategic legitimisation activities on revenue growth (venture development) was graphically plotted and explored for curve significance. Secondly the slices of the plot were isolated and tested against the remainder of the plot in an attempt to ascertain a point at which exponential value returns no longer held true.

Control variables as detailed in chapter 4 were controlled for in the statistical tests presented below.

5.7.2 Motivation for curve estimation regression

Curve estimation regression was used to assess the relationship between the dependent variable (strategic legitimisation) and the independent variable (venture development). Specifically it was used to ascertain which curve best described the sample and in doing so determine the rate at which strategic legitimisation provides growth value to entrepreneurs. Furthermore curve estimation was employed to highlight differing amounts of value return in relation to strategic legitimisation activities. The terms, value and value return are used to refer to the revenue growth

(venture development) achieved by entrepreneurial ventures. In other words curve estimation allows for inference as to what additional value (revenue growth) entrepreneurs realised from increased strategic legitimisation activities (Saunders et al., 2009; Pallant, 2007).

For the purposes of this hypothesis test; venture development was measured according to a businesses achieved revenue whilst simultaneously taking into account the number of years operational. Mean straight-line revenue values, (computed from revenue band midpoints) were calculated for each of the strategic legitimisation response values (-1,0,1,2,3) and plotted graphically.

The use of midpoint derived straight-line growth was considered acceptable, due to the need for a *high-level* graphical representation of ventures comparative revenue achievements (Zikmund, 2003).

An array of curve estimation statistic tests (11) were run. The Adjusted R Square coefficient was scrutinised in an attempt to determine the best curve estimation regression model. The closer the Adjusted R Square was to 1 the better the curve fit (Albright, Winston and Zappe, 2008). Finally curve estimation ANOVA tables were also examined. ANOVA significance values less than .05 were indicative of a significant curve estimation model (Pallant, 2007).

Curve estimation was thus considered the most suitable method for testing this hypothesis in that it allowed for the comparison of curve estimations along the length of strategic legitimisation responses. Additionally the test provided statistical as well

as graphical representation of the phenomenon and the objective was to determine if the ideal or ‘best fit’ curve estimation suggested the presence of exponential value returns.

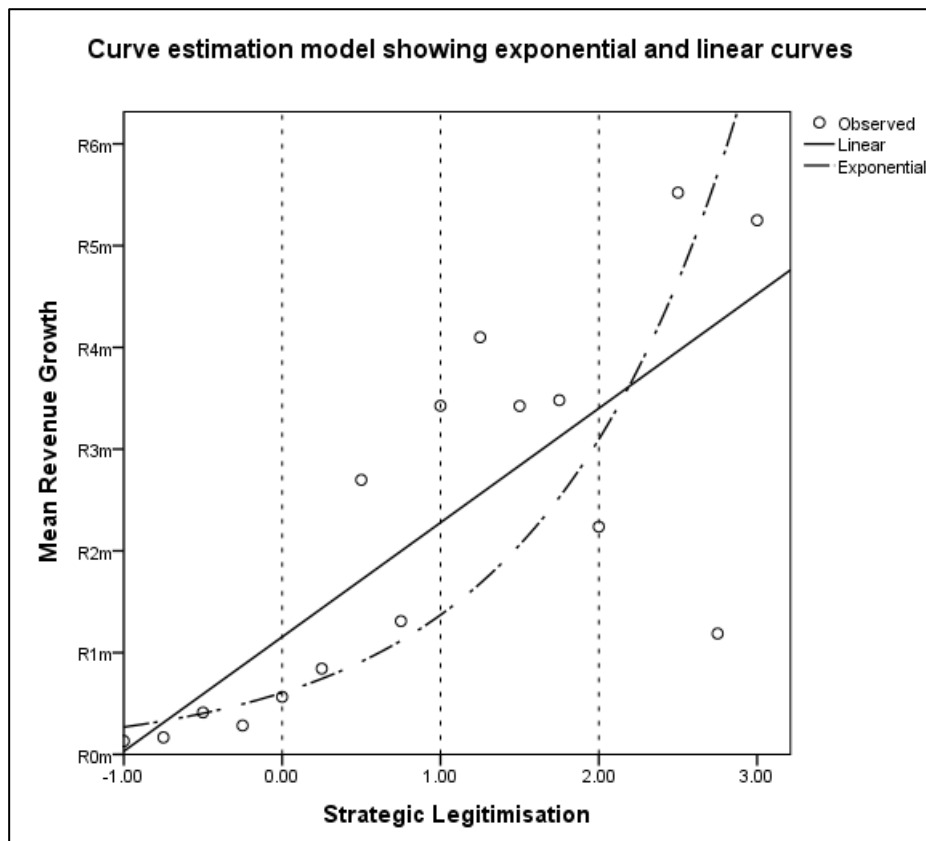
5.7.3 Findings

As can be seen in table 5.8, the *exponential curve* was considered to be the best curve fit estimation model, as it contained the largest Adjusted R Squared (.666). Supporting the exponential curve’s Adjusted R Square was an ANOVA significance value of .000 which was considered indicative of a significant curve estimation model (table 5.8). Figure 5.9 shows the exponential curve estimation model amongst the observation plots.

Table 5.8 Exponential curve fit estimation model

R	R Square	Adjusted R Square	Std. Error of the Estimate	ANOVA
0.829	0.688	.666	0.716	.000

Figure 5.9: Curve estimation model showing linear and exponential curves



Visual examination as well as inspection of the exponential curve’s Adjusted R Square, (Coolidge, 2006), prompted further interrogation of the curve estimation model, in an effort to determine the source of the relatively weak curve fit, and thus expose the point at which exponential value returns no longer hold true.

As motivated previously; discrete slices were analysed. Revenue growth realised by entrepreneurs who scored between 2 (agree) and 3 (strongly agree) on the strategic legitimisation scale were found to contain a comparatively high level of randomness and unpredictability (discussed in hypothesis 2b). In light of this, respondents who

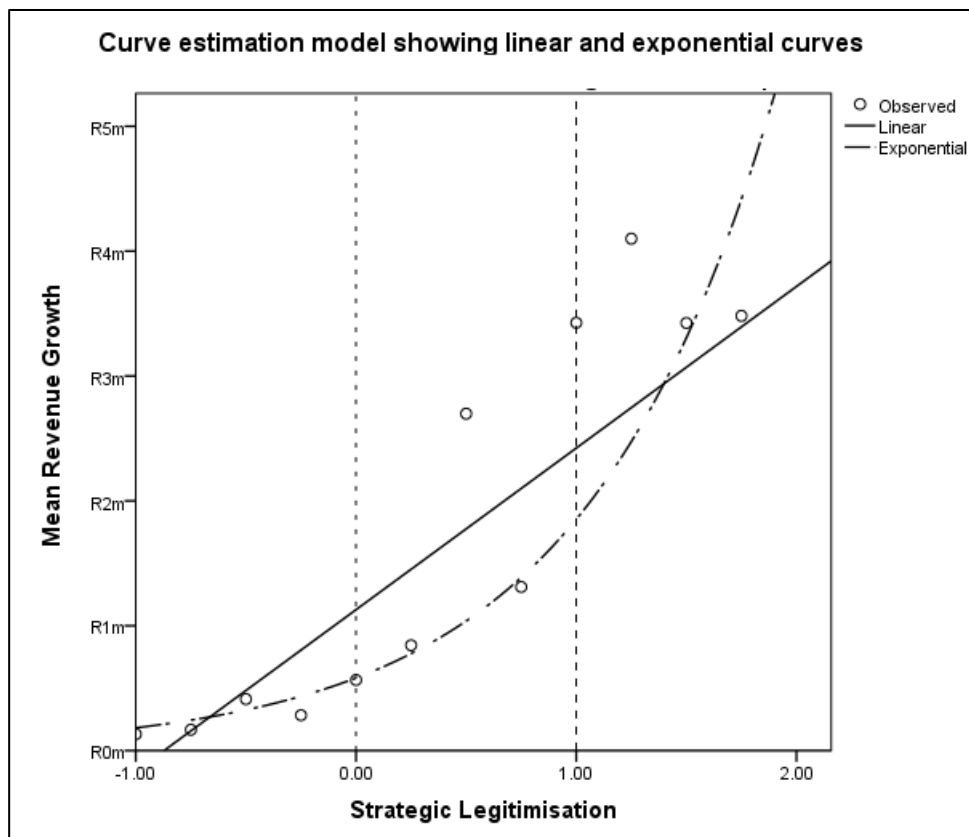
scored between 2 and 3 for strategic legitimisation were removed and curve estimation regression was repeated.

As can be seen in table 5.9, the exponential curve remained the best curve fit estimation model, however the adjusted R square increased to .891 while retaining the .000 ANOVA significance value. Figure 5.10 shows the exponential curve estimation model amongst the abridged observation plots (-1,0,1,2).

Table 5.9: Exponential curve fit estimation model excluding strategic legitimisation scores between 2 (agree) and 3 (strongly agree)

R	R Square	Adjusted R Square	Std. Error of the Estimate	ANOVA
0.949	.901	.891	0.418	.000

Figure 5.10: Curve estimation model showing linear and exponential curves excluding strategic legitimisation scores between 2 (agree) and 3 (strongly agree)



Thus direct evidence was found to support hypothesis 2a; that strategic legitimisation resulted in exponential value returns until a point with relation to venture development. From the tests conducted it can be deduced that the use of strategic legitimisation techniques resulted in exponential returns up to a point. With further legitimising activities; (scaled between 2 and 3) revenue growth becomes unpredictable (expanded upon in hypothesis 2b). Hypotheses 2a can therefore be accepted; as value returns against strategic legitimisation exponentially up to a point; at which exponential value returns no longer hold true.

5.8 Hypothesis 2b

Hypothesis 2b: *Beyond a point the use of strategic legitimisation in the formative stages of a new venture has diminishing marginal value returns with relation to venture development.*

5.8.1 Overview of approach to statistical procedure

The following hypothesis test was considered in 2 stages and *took into account observations made in hypothesis 2a.*

Firstly the impact of strategic legitimisation activities on revenue growth (venture development) was graphically plotted and explored for curve significance. Secondly, slices of the plot were isolated and tested against the remainder of the plot in an attempt to ascertain the presence of diminishing marginal returns.

Control variables as detailed in chapter 4 were controlled for in the statistical tests presented below.

5.8.2 Motivation for curve estimation regression

Curve estimation regression analysis was again used to test hypothesis 2b; as was the case with hypothesis 2a, however the test focused on strategic legitimisation scores between 2 and 3. This was done in an attempt to discover trends within the specific data slice. The statistical procedure employed was essentially a repeat of the

procedure undertaken in hypothesis 2a; as such all assumptions and reasoning that was applied in hypothesis 2a were afforded to this test.

An array of curve estimation statistic tests (11) were run. The Adjusted R Square coefficient was scrutinised in an attempt to determine the best curve estimation regression model. The closer the Adjusted R Square was to 1 the better the curve fit (Albright et al., 2006). Curve estimation ANOVA tables were also examined. ANOVA significance values less than .05 were indicative of a significant curve estimation model (Pallant, 2007; Saunders et al., 2009).

5.8.3 Findings

In a continuation of hypothesis 2a, respondents who scored between 2 (agree) and 3 (strongly agree) on the strategic legitimisation scale were isolated and tested for the presence of diminishing marginal value returns.

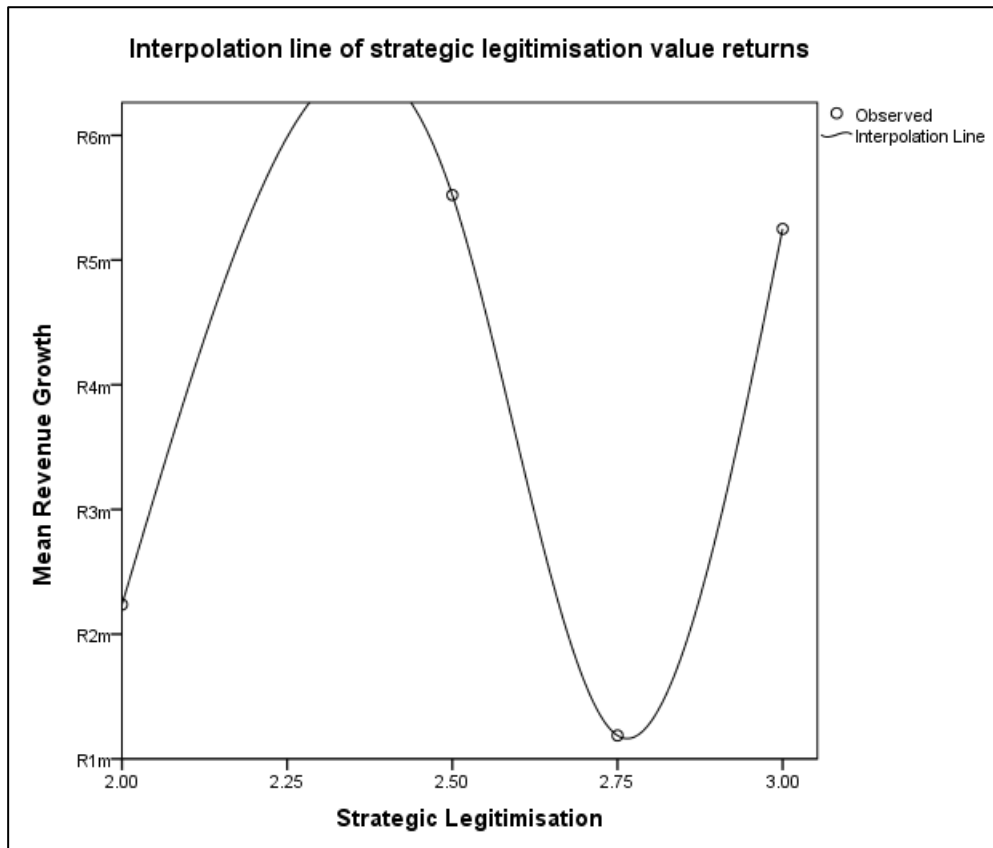
As can be seen in table 5.10, none of the curve fit estimation models tested (11) were found to be significant predictors ($<.05$) of the isolated data set. Additionally the presence of weak R Squared values suggested an inability of the curve estimation model to find a 'good' curve fit.

Table 5.10: Model summary of curve estimation regression for strategic legitimisation scores between 2 and 3

	R Square	F	df1	df2	Sig.
Linear	.109	.245	1	2	.670
Logarithmic	.111	.249	1	2	.667
Inverse	.113	.256	1	2	.663
Quadratic	.109	.061	2	1	.944
Cubic	.109	.061	2	1	.944
Compound	.044	.092	1	2	.790
Power	.043	.089	1	2	.793
S	.042	.088	1	2	.794
Growth	.044	.092	1	2	.790
Exponential	.044	.092	1	2	.790
Logistic	.044	.092	1	2	.790

The absence of a satisfactory curve fit regression model prompted further interrogation of the data. Analysis of an interpolation line plotted against the mean value return data points (figure 5.11) exposed the presence of a high level of randomness and unpredictability in the data. While portion of the interpolation line (2.50 - 2.75) was found to return diminishing marginal value; the occurrence was isolated and not indicative of a pattern. Thus visual analysis of the data plots sought to confirm the presence of randomness, as no distinctive pattern was visually interpretable from the data plots.

Figure 5.11: Interpolation line of strategic legitimisation value returns



No statistical or visual evidence was found to support hypothesis 2b; that beyond a point the use of strategic legitimisation in the formative stages of a new venture has diminishing marginal value returns with relation to venture development.

Hypotheses 2b can therefore be not be accepted; as diminishing marginal returns are not shown to be present in the data. However a tipping point is revealed in the data. The tipping point does not provide diminishing marginal returns, but rather suggests volatility and unpredictability.

5.8.4 Consolidating the findings of hypothesis 2a and 2b

From the tests conducted it can be deduced that the use of strategic legitimisation techniques resulted in exponential returns up to a point (hypothesis 2a). However with further employment of legitimising activities (scaled between 2 and 3); revenue growth became unpredictable (hypothesis 2b). Indicating that low to medium levels of strategic legitimisation activities provided positive exponential value returns. While high levels (2-3) of strategic legitimisation employment had a tendency to provide unreliable and random value returns.

5.9 Hypothesis 3

Hypothesis 3: *The relationship between strategic legitimisation techniques employed in the formative stages of a new venture and venture development strengthens under mature industry conditions.*

5.9.1 Overview of approach to statistical procedure

The following hypothesis was approached in 2 discrete steps. Firstly, to determine if industry maturity was a significant moderator of strategic legitimisation. Secondly, to ascertain the nature and magnitude of industry maturity's moderating effect (if an effect was in existence at all).

Control variables as detailed in chapter 4 were controlled for in the statistical tests presented below.

5.9.2 Motivation for moderated ordinal logistic regression analysis

Ordinal logistic regression analysis was again used to test hypothesis 3; as was the case with hypothesis 1, however a moderator variable (industry maturity) was included in an attempt to measure its moderating effect on the model. The statistical procedure was essentially a carbon copy (with the exception of including industry maturity moderating variable) of the procedure undertaken in hypothesis 1; as such all assumptions and reasoning applied in hypothesis 1 is afforded to this test; including Omnibus Test and Goodness of Fit model assumptions. Moderated ordinal logistic regression was used to assess the impact of industry maturity (moderator) on strategic legitimisation's (independent variable) effectiveness on venture development (dependent variable).

The Wald hypothesis test's significance value was examined as the statistical measure between moderated strategic legitimisation and venture growth. Simultaneously the parameters β 's were explored to provide insight into the proportional impact that variables had on the dependent variable. The larger a variable's negative β was, in comparison to the base parameter (consistently set as 1 for the Industry Maturity), the greater the relative impact. Thus the coefficients β 's were examined to determine the comparative effect of the moderated independent variable on the dependent variable (Pallant, 2007).

Moderated ordinal logistic regression was thus the most suitable method for testing this hypothesis in that the moderating effect of industry maturity could be analysed with respect to the findings of hypothesis 1. Furthermore the test allowed for

determination of the existence of a moderating effect as well as the measurement of the moderators comparable effect on venture development.

5.9.3 Model performance

As can be seen in table 5.11 the Omnibus Test produced a significance value of .000 ($p < .0005$), thus indicating that the model was useful in predicting a response. While the Goodness of Fit test produced a p value of 0.274 (Pearson Chi-Square), indicating a 'good' model-data fit (table 5.12). It can therefore be concluded that there is support for the model and that the model can be used as an instrument from which to draw evidence.

Table 5.11 Omnibus test

Likelihood Ratio Chi-Square	df	Sig.
134.396	21	.000

Table 5.12 Goodness of fit

	Value	df	Value/df	p value
Pearson Chi-Square	704.760	683	1.032	.274

5.9.4 Findings

Industry maturity was found not to be a significant moderator of strategic legitimisation's impact on revenue growth. The lack of moderator significance is

evidenced in table 5.13. as none of the moderating industry maturity levels (1,2,3,4) appear to have had a statistically significant (<.05) moderator effect.

Table 5.13: Wald hypothesis test against revenue
(industry maturity * strategic legitimisation)

Parameter	B	Std. Error	95% Wald Confidence Interval		Hypothesis Test		
			Lower	Upper	Wald Chi-Square	df	Sig.
Industry Maturity 4 * SL	-0.597	0.3858	-1.354	0.159	2.398	1	0.122
Industry Maturity 3 * SL	0.288	0.3857	-0.468	1.044	0.556	1	0.456
Industry Maturity 2 * SL	0.173	0.365	-0.542	0.888	0.225	1	0.636
Industry Maturity 1 * SL	0^a	.	.	.	.	.	.

In lieu of evidence to suggest that industry maturity was a significant moderator; the magnitude of moderating effect of industry maturity on the relationship between strategic legitimisation techniques and new venture growth was not pursued. In turn there was no need to scrutinise the β coefficients as they were representative of an insignificant finding.

Thus while support was found for hypothesis 1, that strategic legitimisation has an impact on venture development, no evidence was found to support hypothesis 3. Indicating that the maturity of the industry in which entrepreneurs chose to start ventures does not have a significant impact on the effectiveness of strategic legitimisation techniques employed with relation to venture development.

5.10 Summary of hypothesis tests

Table 5.14: Summary of hypothesis tests

Hypothesis Test	Outcome
Hypothesis 1: The use of strategic legitimisation techniques in the formative stages of a new venture has a positive impact on venture development	Accept
Hypothesis 2a: The use of strategic legitimisation in the formative stages of a new venture has exponential value returns until a point with relation to venture development	Accept
Hypothesis 2b: Beyond a point the use of strategic legitimisation in the formative stages of a new venture has diminishing marginal value returns with relation to venture development	Reject
Hypothesis 3: The relationship between strategic legitimisation techniques employed in the formative stages of a new venture and venture development strengthens under mature industry conditions	Reject

5.11 Chapter conclusion

This chapter presented the quantitative results of the research in terms of descriptive results and hypothesis specific tests. The following chapter discusses the results in terms of the hypotheses and associated literature as well as explores sample specific concerns.

Chapter 6: Discussion of results

6.1 Introduction

The following chapter addresses the research objectives of this study. Each hypothesis is spoken to, by providing insight into the findings in terms of the literature review, the context of the study as well as sample specific characteristics.

6.2 Hypothesis 1

Hypothesis 1: *The use of strategic legitimisation techniques in the formative stages of a new venture has a positive impact on venture development.*

6.2.1 Findings

Strategic legitimisation was found to have a significant impact on venture development. Furthermore entrepreneurs were shown to generate larger revenues the more they legitimised their ventures compared to those that did not.

This finding aligned with the findings of Aldrich (1999) and Delmar and Shane (2004) who concluded that entrepreneurs who actively work to develop legitimacy in the start-up stage increase venture development and survivability. Rutherford et al. (2009) added to this by affirming that entrepreneurs who proactively construct a perception of legitimacy within the initial threshold create the platform for realising legitimacy, and encouraging entrepreneurial success.

As noted in the literature review much of the past literature has predominantly argued in favour of legitimacy (Delmar and Shane, 2004; Hannan & Carroll, 1992; Ranger-Moore et al., 1991). This favourable stance was found to be mimicked by this study, to the extent that revenue tended to increase the more entrepreneurs claimed to engage in strategic legitimisation activities. Thus the employment of strategic legitimisation activities in the formative stages of a new venture appears to have had extended revenue implications (Rutherford et al., 2009).

Viewed conversely, the comparably lower revenue achievements of entrepreneurs choosing not to engage in legitimising activities (compared with those that did) was supported by Singh et al., (1986) as well as Zimmerman & Zeitz (2002) who put forward the notion that a failure to create a perception of legitimacy puts a venture in a state of perpetual risk of failure that does not wane as the venture ages. Additionally revenue cannot be maximised in the face of insufficient legitimising activities, as ventures are blocked from reaching subsequent developmental stages and the institutional buffer that safeguards organisations from adverse environmental factors is not initially fabricated (Bansal & Clelland, 2004).

Interestingly Ashforth and Gibbs (1990) remark that the least legitimate ventures have the highest need to gain legitimacy; was particularly reminiscent of the findings. As entrepreneurs who chose not to participate in strategic legitimisation activities tended to have realised substantially less revenue growth and could be considered the most susceptible to unsystematic risk (Bansal & Clelland, 2004).

6.2.2 Discussion with the factors

Rutherford et al. (2009) speculation of the dynamic nature of the legitimacy threshold and Aldrich and Fiol's (1994) adaptive recommendations towards the strategic legitimacy mix, were highlighted in the factors dissimilar interaction with revenue growth. While both the attention and appearance factors had a significant impact on revenue growth, their interaction and threshold limits were disparate. Appearance activities appeared to break the legitimacy threshold at low levels of engagement (with uniform β implications), while the attention activities needed to overcome the legitimacy threshold appeared to required higher activity engagement (with linear β implications).

As an auxiliary note of depth; entrepreneurs are shown in the descriptive findings to have employed irregular legitimacy strategies. There is no evidence to suggest that typecasts of strategic legitimisation activities exist; thus affirming Aldrich and Fiol (1994) and Bansal & Clelland's (2004) notions of a contextual and venture orientated strategic legitimisation activity mix. It appears that it is not an isolated approach to specific groups of activities that yields legitimacy returns; but rather the construction of an appropriate generalised perception of legitimacy that creates the platform for encouraging entrepreneurial success.

6.2.3 Through the lens of the sample

While authors had a propensity to support strategic legitimisations impact on venture development, the context of their studies often differed slightly in terms of industry, type of legitimisation orientation and research objectives.

For example, Bansal & Clelland's (2004) study took place in an environmental context and focused on legitimacy's impact on stock market risk as opposed to new venture development; and Rutherford et al. (2009) study primarily sought to explore the ethical considerations of legitimacy activities. While Delmar and Shane's (2004) study exclusively tracked life histories of Swedish ventures in terms of legitimacy's effect on the hazard of disbanding. The findings of this study however offered empirical evidence for a positive relationship between strategic legitimisation and venture development, in the entrepreneurial space (with associated confines as laid out in chapter 4).

Furthermore, the sample was biased to early stage ventures experiencing high revenue growth off a low revenue base. Although these attributes are largely stereotypical of entrepreneurial ventures, they may have worked to skew the findings. As a result, more developed (high revenue) entrepreneurial ventures were underrepresented proportionately as well as statistically; providing for proportionately weaker inference at higher levels of revenue achievement.

6.2.4 Conclusion

It must however be acknowledged that the data for strategic legitimisation was positively skewed (-0.60). By asking respondents to retrospectively consider the use of legitimisation activities; activities that are predominantly seen to be mirrored by established industry leaders, could have introduced bias.

The data therefore sought to confirm populous academic reasoning – that the employment of strategic legitimisation activities in formative stages of a new venture had a positive impact on venture development. Furthermore the data suggests that attaining desirable and appropriate legitimacy is a critical success factor that must be achieved by new ventures in an effort to overcome the liabilities of newness.

6.3 Hypothesis 2a

Hypothesis 2a: *The use of strategic legitimisation in the formative stages of a new venture has exponential value returns until a point with relation to venture development.*

6.3.1 Findings

The use of strategic legitimisation was found (at low to medium levels of utilization) to provide positive exponential value returns. However from a point of high strategic legitimisation employment (2-3); exponential value returns were absent.

The absence of exponential value returns at higher levels of strategic legitimacy engagement is discussed in hypothesis 2b. The following discussion consequently

seeks to provide insight into the exponential value returns experienced by entrepreneurs at lower levels of activity engagement.

The positive value returns are supported by Aldrich (1999) and Delmar and Shane (2004) who established that entrepreneurs who actively work to develop legitimacy in the start-up stage increase venture development and survivability. Rutherford et al. (2009) added to this by affirming that entrepreneurs who proactively construct a perception of legitimacy within the initial threshold create the platform for encouraging extended entrepreneurial success.

The legitimacy threshold appeared to be visually demonstrated in the findings; in that ventures who chose not to engage (or engage in a limited fashion) in strategic legitimisation activities were inclined to have realised noticeably less entrepreneurial success (revenue growth). While entrepreneurs who engaged in low to moderate levels of legitimacy activity were graphically (and statistically) shown to reap exponential value returns on strategic legitimacy activities.

Thus the results suggested that the legitimacy threshold appeared to be overcome from a point of slight agreement (.50) from where the curves gradient advocated an attraction of powerful collective actors as represented by an extravagant increase in comparative revenue achievements.

Stinchcombe's (1968, p. 171) "power hierarchy" reasoning provides a plausible explanation for the presence of exponential value returns; in that after the initial threshold is overcome through legitimacy development, ventures appear to start

attracting endorsement from “powerful collective actors” and in turn are afforded superior revenue reward.

Furthermore, Pfeffer and Salancik (1978) and Rutherford et al. (2009) contribute towards the understanding of exponential value returns; in that the legitimacy threshold is broken by the acquisition of a substantial collection of stakeholders. In turn the very act of being perceived as a legitimate entity is accompanied by market afforded trust and, in effect a legitimacy snowball effect begins to build around the organisation.

6.3.2 Conclusion

The findings therefore supported the hypothesis that the employment of strategic activities in the formative stages has exponential value returns until a point. Furthermore the data suggests that attaining desirable legitimacy is a critical success factor that must be achieved by new ventures in an effort to maximise revenues and limit the liabilities of newness.

Thus overcoming the legitimacy threshold allows entrepreneurs access to valuable and scarce resources (which were previously restricted) that are required for an organisation to achieve exponential value returns (Williamson et al., 2002).

6.4 Hypothesis 2b

Hypothesis 2b: *Beyond a point the use of strategic legitimisation in the formative stages of a new venture has diminishing marginal value returns with relation to venture development.*

6.4.1 Findings

While the use of strategic legitimisation was found initially (at low to medium levels of utilization) to provide positive exponential value returns; at high levels of activity engagement, value returns became volatile and unpredictable. This phenomenon was observed to the extent that a portion of the entrepreneurs choosing to engage in high levels of strategic legitimisation had the highest comparative value returns, while others under similar engagement levels had revenue returns akin to entrepreneurs who did not engage in legitimising activities.

6.4.2 Discussions with volatility

The presence of unreliable value returns under high levels of strategic legitimisation activity are supported by Ashforth and Gibbs' (1990) sentiments; that in some instances attempting to create perceived legitimacy may result in the destruction of legitimacy. Specifically organisations that appeal and protest excessively run the risk of being perceived as manipulative and illegitimate. In this case new ventures are not afforded the benefits of a legitimate platform; as constituents begin to discount the legitimisation practices that appear overtly apparent (Ashforth and Gibbs, 1990). Under these conditions ventures are perceived as illegitimate and thus are not able to

maximise revenues, as ventures are prohibited from reaching subsequent developmental stages.

Aside from the possible negative implications of protesting too much; entrepreneurs run the risk of focusing too much on legitimising activities at the expense of actually building a business (Rindova et al., 2009). Early stage entrepreneurs falling into this trap, thus may have attempted to position themselves legitimately however lacked venture proficiency to justify exponential value returns. Additionally the unforgiving market appears to trap (what its constituents consider to be) over legitimising firms in perpetual stigmatisation that does not diminish with age (Singh et al., 1986).

However as noted previously, a portion of entrepreneurs choosing to engage in high levels of strategic legitimacy activities had the highest comparative value returns. Reed and DeFillippi (1990) and well as Aldrich and Fiol (1994) offer a possible explanation for the high value returns achieved under high levels of strategic legitimacy activity; noting that a balance between legitimisation activities and desirable organisational function is required to minimise legitimacy destruction. Thus organisations who are able to supplement the capacity of their core venture with appropriate legitimisation activities stand to realise exponential value returns. While ventures unable to achieve a balance stand to dilute their core venture and attract early stigmatisation that will make future legitimisation and venture success problematic (Ashforth & Gibbs, 1990).

Thus the findings allude to the notion that ‘over’ legitimisation is a function of unbalanced legitimisation activities and work to debunk the concept of static typecasts but portray legitimacy engagement as a dynamic context specific phenomenon.

6.4.3 Understanding the findings through the lens of the sample

While authors reviewed in the literature cautioned against aggressive and unbalanced appeals for legitimacy, the context of their studies often differed slightly in terms of the type of legitimisation orientation and research objectives.

For example, Aldrich and Fiol’s (1994) study took place in an emerging industries context and focused on cognitive and socio-political legitimacy; and Reed and DeFillippi’s (1990) study sought to explore dynamics of competitor advantage and competitor imitation. While Ashforth and Gibbs (1990) focused on the problematic classification of organisations found to be protesting too much. The findings of this study however questioned the impact of formative stage use of strategic legitimisation activities on venture development, in the entrepreneurial space (with associated confines as laid out in chapter 4).

Furthermore, the sample was biased to early stage ventures experiencing high revenue growth off a low revenue base. Although these attributes are largely stereotypical of entrepreneurial ventures (high growth off a low base), they may have worked to skew the findings. As a result more developed (high revenue) entrepreneurial ventures are underrepresented; providing for proportionately weaker inference at higher levels of revenue achievements. This is a shortcoming of the study

as well as a conceivable explanation for the volatility observed (hypothesis 2b) under high levels of activity employment.

6.4.4 Conclusion

The findings therefore did not support the hypothesis; that beyond a point the use of strategic legitimisation in the formative stages of a new venture has diminishing marginal value returns with relation to venture development. However in the place of diminishing marginal returns, volatile and unpredictable value returns were observed.

6.4.5 Interpreting the findings of hypothesis 2a and hypothesis 2b

A tipping point was revealed in the data. Strategic legitimisation was found to have a positive exponential impact on venture development up until a hypothetical point; after which strategic legitimisation's impact on venture development is largely random and unpredictable. In this light, the law of diminishing marginal returns was not found to impact strategic legitimisation's value returns with relation to venture development. However in the place of diminishing returns; unpredictability supervenes positive exponential value returns found at lower levels of utilisation.

The findings of this study inferred that while entrepreneurs must invest energy in strategic legitimisation activities during the start-up stage of a new venture; they must balance this with competence formation and avoid over legitimisation.

6.5 Hypothesis 3

Hypothesis 3: *The relationship between strategic legitimisation techniques and new venture growth strengthens under mature industry conditions.*

6.5.1 Findings

Industry Maturity was found not to be a significant moderator of strategic legitimisation's impact on revenue growth. Thus the findings suggested that the maturity of the industry in which entrepreneurs choose to start ventures does not have a significant moderating impact on the effectiveness of strategic legitimisation techniques employed with relation to venture development.

This finding was contradictory to the argument put forward by Aldrich and Fiol (1994); that ventures entering an industry in its foundational years are exposed to higher liabilities of newness and as such required greater activity intensity in an effort to overcome the liabilities legitimacy threshold. While it is not said that entrepreneurs legitimise more or less intensity under contextual industry maturity conditions; the effectiveness of strategic legitimisation techniques does not appear to be affected by exposure to differing industry maturity conditions. Similarly, Hannan and Freeman's (1984) deduction that a new venture's lack of appropriate legitimacy in the face of low industry maturity conditions pertains to a negative effect on venture development; were not supported by the findings.

A plausible explanation for the lack of industry maturities moderating effect, lies in the practical disparities between an existing company (or subsidiary) entering a new

market and an entirely independent new venture starting up in a market. While existing firms may feel the restraining effects of an early stage industry and be burdened with legitimising themselves as well as the industry (Aldrich & Fiol, 1994); independent new ventures need to “quest for legitimacy” regardless of industry maturity in which they chose to operate (Williamson et al., 2009).

Thus while established companies entering new markets are afforded preliminary degrees of legitimacy, independent new ventures are required to build foundational legitimacy regardless of industry conditions. As such it is plausible that industry maturity does not have a significant impact on entrepreneurs formative stage strategic legitimisation activities effectiveness as entrepreneurs are required to fight for legitimacy regardless of the maturity of the industry that they are in.

Owing to unsubstantiated evidence to suggest that industry maturity was a significant moderator; the magnitude of the moderating effect of industry maturity on the relationship between strategic legitimisation techniques and venture growth was not pursued. In turn this study does not talk directly to the relationships dynamic, but rather alludes to the absence of industry maturity’s moderating effect.

6.5.2 Through the lens of the sample

While authors had a propensity to support industry maturity’s moderating effect on the relationship between strategic legitimisation and venture development, the context of their studies often differed slightly in terms of the type of legitimisation orientation and research objectives.

For example, Aldrich and Fiol's (1994) study took place in an emerging industries context and focused on cognitive and socio-political legitimacy; while Hannan and Freeman's (1984) study primarily sought to explore structural inertia and consequences of selection processes. Thus the extremities (unfamiliarity) of contexts may have made relevant comparison unattainable.

Additionally, the stages of industry maturity were found to be relatively evenly represented in the sample; as such error as a result of underrepresentation was considered an invalid cause for insignificance. Even though the four industry maturity stages were uniformly represented, the exclusive use of target industries may have played a role in skewing the data.

Possibly the most problematic factor pertains to the definition of industry maturity and the tool used to classify companies against. Hannan and Freeman (1984) as well as Aldrich and Fiol (1994) did not systematically put forward a definition or method of classification. While this study did put forward a process for classification as well as enforced a case wide definition; a void undoubtedly exists between the definition and case classification employed in this study and those alluded to in the broader literature. This inconsistency is a limitation of the study as well as a plausible explanation for the insignificance of industry maturities moderating effect on the relationship between strategic legitimisation and venture development. This does not discount the methodology employed in isolation but questions its appropriateness during interaction with the broader legitimacy literature.

6.5.3 Conclusion

While past literature (Hannan & Freeman, 1989) has shown that entrepreneurs entering immature industries are susceptible to higher liabilities of newness; the maturity of an industry is shown to not impact the effectiveness of strategic legitimisation techniques in promoting venture development.

The findings therefore did not support the notion that industry maturity moderates the relationship between strategic legitimisation and venture development, despite conjecture to the opposition put forward in previous papers.

6.6 Chapter conclusion

This chapter discussed the results in terms of the hypotheses and associated literature as well as explored the sample specific concerns. The next chapter highlights the main findings of the research and puts forward entrepreneurial implications.

Chapter 7: Conclusion and recommendations

7.1 Academic Contributions

Although the literature (Tornikoski & Newbert, 2009) had set out a concise academic definition of strategic legitimisation's characteristics, positioning and function; there was an absence of scale offerings that attempted to capture the fundamentals of strategic legitimisation while allowing for retrospective empirical testing. This study consequently advanced the development of a strategic legitimisation scale as well as added to the understanding of the scale dynamics and in doing so contributed to the legitimacy literature.

Furthermore the study brought to light the existence of two novel factors; attention (outwardly focussed legitimising techniques) and appearance (inwardly focussed legitimising techniques). The literature on legitimisation activities was in need of consolidation, empirical testing and coherent presentation. Thus the contribution of this study was the presentation of an empirically tested strategic legitimisation scale offering that allowed for interpretation of its underlying factors. Additionally this study laid the foundation for future advancement and progression of the strategic legitimacy scale.

Further contributions were made by this study in offering empirical evidence for the relationship between strategic legitimisation employed in formative stages of a new venture and subsequent venture development (hypothesis 1). In addition the study also exposed the factors dissimilar interaction with revenue growth; highlighted by

their disparate threshold limits (points of positive influence) - with appearance shown to break the legitimacy threshold at lower limits of employment.

Lastly, the study proposed the presence of volatile value returns at high levels of strategic legitimisation employment (hypothesis 2b), while entrepreneurs opting for lower levels of legitimacy engagement realised positive exponential value returns (hypothesis 2a). The study thus contributed, in that it empirically exposed strategic legitimisation's varying levels of value return against venture development along the scales continuum.

7.2 Limitations of the research and suggestions for future study

7.2.1 Research methodology

The usual limitations of a self-report research questionnaire applied, namely response and non-response bias. Non response bias may have been particularly influential in this study, as entrepreneurs who were experiencing financial losses or extended periods of financial stress may have been less willing and (timeously) able to participate on the study.

As the questionnaire addressed historical activities, in some cases as far back as 10 years; retrospective bias may have been introduced; as entrepreneurs may have had difficulty recalling legitimisation activities employed and the extent to which they were pursued in the start-up stage. Furthermore, by asking respondents to retrospectively consider the use of legitimisation activities that are predominantly seen to be mirrored

by established industry leaders, could have introduced bias and thus influenced their response pattern.

7.2.2 Design of the research instrument

The single items utilised in the questionnaire, were dense and captured complex and interdependent legitimising activities. Thus single item questions tended to capture multiple activities and thus responses were aggregated against those activities. While the scale was tested and comprehensively found to be valid, the unpacking of the single items (into multiple, less dense items) would allow for the development of a more robust research instrument. In turn permitting the development of ‘deeper’ factors that expressed more grounded legitimisation activities. The development of more a comprehensive strategic legitimisation scale would be particularly pertinent to the field of entrepreneurship as it would allow for empirical testing of real world activities.

As noted in chapter 4 the research instrument did not accurately measure intensity or volume of strategic legitimisation activities. While it was considered acceptable for the purposes of this study (justified in chapter 4), future studies concerned with the measuring the of intensity or volume of strategic legitimacy activities will need to develop a ratio scaled instrument to that effect. This is not to say that the items presented in this research do not allow for the measurement of strategic legitimisation activities, but rather that the scale provided is limited to anecdotal evidence (afforded through ordinal ranking) of intensity and volume.

The research instrument utilized to capture industry maturity was not comparable to the broader legitimacy literature. A novel means of industry maturity measurement was adopted as legitimacy researchers had yet to put forward a widely adopted means of classification. While this study did put forward a process for classification as well as enforced a case wide definition; a void undoubtedly exists between the definition and case classification employed in this study and those alluded to in the broader literature. This is not to say that the validity of the instrument is under scrutiny but questions its appropriateness during interaction with the broader legitimacy literature. Future legitimacy researchers will need to adopt a comparable means of measuring industry maturity as this will allow for the birth of a platform from where to debate and explore.

7.2.3 Sample of the study

The sample was biased to early stage ventures experiencing high revenue growth off a low revenue base. Thus older and larger revenue companies were proportionately underrepresented in the sample. The use of a more balanced sample to this effect may have solidified understanding of entrepreneurs choosing to engage in high levels of legitimacy activity. Exploring the effect of strategic legitimisation activities under high levels of engagement could be a meaningful and interesting extension of the current study.

In terms of sample composition; the study only sought entrepreneurs in the construction, advertising and information technology industries (justified in chapter 4). Thus other industries were excluded from the sample. Going forward the inclusion of

additional industries may provide additional insight into the mechanisms of strategic legitimisation as well as allow for a more inclusive, population representative sample .

In terms of the sampling methodology; the use of snowball sampling was a likely source of bias, as the sample had a higher probability of being similar to the initial interviewees (Zikmund, 2003). Similarly, respondents who had many links were more likely to be recruited into the sample, whereas those less inclined to have extended social networks were more likely to be excluded. Additionally, researchers tapped into a limited network of entrepreneurs that may have been reflective of the social position of the researchers. Future research may consider the use of a more representative sampling method, in an attempt to promote inference and reduce bias.

7.2.4 Context and scope of the study

Different legitimising activities are employed throughout a venture's life cycle and in turn have altering impacts on legitimacy creation as well as legitimacy maintenance. Additionally the impact of legitimising activities may potentially change throughout a venture's lifecycle. This study only looked at the impact of strategic legitimisation activities employed in the formative stages of a new venture. This meant that subsequent legitimisation activities (strategic or other) were not taken into account and in turn longitudinal perspective of legitimisation employment and subsequent impact was unattainable. Future research may find it valuable to investigate legitimacy activities impact on venture development from a longitudinal perspective. Extension of the scope in this manner would allow for growth based impact

assessment and exploration of legitimacy approaches throughout an organisation's lifecycle.

7.4 Entrepreneurial implications

The findings of this study have considerable implications for entrepreneurs and new ventures; specifically in terms of strategic legitimisation's importance in promoting entrepreneurial success.

7.4.1 The importance of formative stage strategic legitimisation

The findings of this study stressed the importance of strategic legitimisation's use in formative stage of a new venture. Entrepreneurs need to ensure that during the start-up stages of a venture they actively work to legitimise their ventures. Legitimisation is critical during start-up as the market makes preliminary judgement calls on an organisation and if the venture is perceived as illegitimate it runs the risk of long term stigmatisation. Thus entrepreneurs wishing to start a business should place value on the need for legitimacy and develop an appropriate strategy to attain it.

7.4.2 Recommendations for the use of strategic legitimisation

Formative stage strategic legitimisation should be employed by entrepreneurs in an effort to overcome the legitimacy threshold as entrepreneurs opting not to employ strategic legitimisation activities tend to realise notably less revenue growth.

Furthermore entrepreneurs able to generate desirable and appropriate legitimacy stand to realise exponential value returns against formative stage strategic

legitimisation activities. However, entrepreneurs should not focus alone on legitimisation at the expense of developing the organisation but rather balance legitimacy development with competence and capacity development. It is important to note that it is not simply enough to heavily legitimise a venture and expect exponential value returns without complementing the legitimisation activities with an attractive and market appropriate offering.

In terms of the legitimacy mix, no stereotypical legitimisation combinations were revealed in the data. However, the findings suggested that entrepreneurs should attempt to project an overall impression of legitimacy. This is not to say that entrepreneurs should look to strongly legitimise in all areas, but rather generate a context specific legitimacy mix that draws on the legitimacy elements in a manner that is suggestive of a legitimate entity.

Furthermore, the findings also suggested that moderate employment of strategic legitimisation activities is sufficient for ventures to overcome the legitimacy threshold. Thus excessive use of strategic legitimisation activities are not required for successful new venture emergence and should be cautioned against.

Lastly, entrepreneurs under resource constraints (time or monetary) should prioritise appearance legitimisation activities, as they were found to return value before attention activities. This does not suggest that entrepreneurs abandon attention legitimisation activities, but rather prioritise appearance activities under resource constraints.

7.5 In Summary

Entrepreneurship is extensively considered the source of economic development and expansion (Ligthelm, 2005). However, entrepreneurs attempting to create new ventures are often overwhelmed by challenges and obstacles to success. Consequently strategies that promote entrepreneurial survival and success are invaluable tools in any entrepreneurs arsenal.

Entrepreneurs have the opportunity (especially at start-up) to proactively construct and influence the perceived legitimacy of an entity. The findings of this study thus proposed that legitimacy is a critical precursor to entrepreneurial success. More so entrepreneurs should not underestimate the extended growth implications attached to achieving a legitimate perception. Importantly entrepreneurs need to focus on generating a perception of legitimacy in the start-up stages of a new venture, as successful legitimisation allows entrepreneurs access to scarce resources required for a venture to thrive. However entrepreneurs should be mindful of balancing legitimacy practices with competence and capacity development and avoid over legitimisation. Lastly, by actively working to legitimise new ventures, entrepreneurs stand to increase their chance of emergence and realise superior rewards.

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Appendix A: Entrepreneurship survey

"Entrepreneurship Survey"

RESEARCHERS' STATEMENT

We are asking you to complete a survey as part of a research study. The purpose of this information sheet is to give you the information you will need to help you decide whether to be in the study or not. **It IS NOT part of the actual study.** This process is called "informed consent." Please read the form carefully.

DESCRIPTION/PURPOSE OF RESEARCH

The purpose of this study is to assess how the personal characteristics of entrepreneurs are related to the approach that they take in launching a building a new business.

You have been selected to participate in this study because of you have launched a business in South Africa in the last 10 years.

DATA COLLECTION AND ANALYSIS

All data collected as part of this research will remain confidential. Matching of data will occur through the use of a confidential number. No one but the researchers will see your individual data and the researchers will not be able to associate the data with a specific individual.

RISKS OR DISCOMFORTS

There are no foreseeable risks or discomforts associated with completing this survey.

ALTERNATIVES TO PARTICIPATION

You may choose not to participate in this study. You may withdraw from the study at any point. You are not obliged to answer all the questions.

BENEFITS OF PARTICIPATION

There are no direct benefits to you from participating in this study

CONSENT

By marking that you agree to participate, you give your permission for information gained from your participation in this study to be published in scholarly management literature, discussed for educational purposes, and used generally to further management science. You will not be personally identified; all information will be presented as anonymous data.

I agree and choose to participate in this study.

I do not agree and choose NOT to participate.

Strategic Legitimation

The following statements describe some of the actions that you may have taken in the early phases of launching and building your business. Please evaluate how closely the following statement describe the actions you took in launching and building your business by selecting between disagree for items that do not describe what you did to strongly agree for items that do effectively describe what you did.

When launching and building my business I or we.....	Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
Consciously established a high profile board of advisors, board of directors and/or made use of a high profile figurehead	1	2	3	4	5
Actively tried to develop a professional perception of the business (including, for example, creating a professional website, logo, business cards, establishing a dress code)	1	2	3	4	5
Actively tried to get the business mentioned in the media	1	2	3	4	5
Purposely told stories about my business	1	2	3	4	5

Founding Team Demographics

This section of the questionnaire will gather information about team that founded the business being examined as part of this research.

How many people were in the team that founded the business?		
To which ethnic group do the members of the founding team belong? Insert the number of founders from each ethnic group next to the ethnic group name	Indian [] Coloured [] Black [] White [] Other []	
What is the ethnic group of the interviewee?		
What was the gender mix of them members of the founding team?	Male [] Female []	
What is the gender of the interviewee	Male	Female
What education (level and area) did the members of the founding team have at the time of founding the business? One response for each member of the founding team. Insert the education and level of the interviewee first	Level (High school, certificate, bachelors, honors, masters, doctorate)	Area (engineering, medicine, art, business, science etc.)
What were the ages of the members of the founding team at the time of founding the business Fill in the age in years of each member of the founding team. Insert the age of the interviewee first		



Business Domain and Growth

This portion of the questionnaire will gather data on the area of business in which you operate and on the growth trajectory of the business.

What broad industry does your company operate in?	Information Technology / Advertising / Construction
If possible, please indicate a sub-industry or specialization area in which your company operates.	
Please provide a brief description of your company's core function/s. What is the essence of your company? <i>E.g. This company buys media space in advance and then sells it to corporations and/or agencies as and when they need it for specific advertising campaigns OR This company seeks to work with large corporations to reduce their IT expenses by incorporating open source software into their IT operating environment</i>	
In which year was your business founded?	
How many people did you employ in the business at the end of year 1 of operation (including the founders)?	
How many people do you currently employ in the business (including the founders)?	
How much external equity (capital) has been invested in the business i.e. What is the total rand value of equity invested in the business?	
How much revenue did the	A. More than R100m



business generate in the most recent financial year?	<ul style="list-style-type: none">B. R75m – R100mC. R50m – R75mD. R30m – R50mE. R20m – R30mF. R10m – R20mG. R5m – R10mH. R2m – R5mI. R1m – R2mJ. Less than R1m
How would you describe the rate of revenue growth in your business over the past 3 years?	<ul style="list-style-type: none">A. Very high – annual increase in revenue of 50% or moreB. High – annual increase in revenue of 30% - 50%C. Moderate to high - annual increase in revenue of 20% - 30%D. Moderate - annual increase in revenue of 10% - 20%E. Moderate to low - annual increase in revenue of 5% - 10%F. Low - annual increase in revenue of 1% - 5%G. Stagnant – no increase in revenueH. Declining – revenue has been declining over the past 3 years
In what range are your net profit margins?	<ul style="list-style-type: none">A. Very high – net profit margins of 50% or moreB. High – net profit margins of 30% - 50%C. Moderate to high - net profit margins of 20% - 30%D. Moderate - net profit margins of 10% - 20%E. Moderate to low - net profit margins of 5% - 10%F. Low - net profit margins of 1% - 5%G. Breakeven – not making profits but also not losingH. Losses – currently making losses
How many years did it take for the business reach breakeven i.e. begin making a profit?	

FOR RESEARCHER USE

The information in this block will NOT form part of the research study. This information is collected as a control mechanism to ensure that each person gathering data collects valid data from a legitimate business started in South Africa in the past 15 years.

RESPONDENT TELEPHONE NUMBER

Please record a contact telephone number for the person that was interviewed to gather the data recorded in this questionnaire.

TELEPHONE NUMBER OF RESPONDENT:

This number will ONLY be used to follow up with the respondent to ensure that they actually completed the questionnaire under the guidance of a researcher.

RESEARCHER STATEMENT

I certify that all the information in this questionnaire was gathered from a person who purports to have started a business in South Africa in the past 15 years.

RESEARCHER SIGNATURE:.....

RESEARCHER NAME:.....

Appendix B: Catalyst WebQ online data capture instrument

Early Entrepreneurial Actions Survey

Page 1 of 1

This short survey is designed to be completed by people who have started a new business in the past 15 years. If you launched a business in the past 15 years, please answer the questions that follow. If you have started multiple businesses in the past 15 years, please respond with respect to the actions that you took when launching the most recent business.

Question 1.

When launching and building my business I.....

	Strongly Agree	Agree	Somewhat Agree	Neutral	Disagree
Consciously established a high profile board of advisors, board of directors and/or made use of a high profile figurehead	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Actively tried to develop a professional perception of the business (including, for example, creating a professional website, logo, business cards, establishing a dress code)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Used a written business plan to communicate to others what I was doing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Actively tried to get the business mentioned in the media	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Purposely told stories about my business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 2.

When launching and building my business I.....

	Before starting the business	When registering the business	3 months after registering the business	1 Year after registering the business	Never
Registered with a professional body in my industry or became a member of an industry association	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 3.

Is the business still in existence today?

Question 4.

In which industry does (or did) the business operate?

Question 5.

How many years has the business been operating OR for how many years did it operate before closing down or being sold?

Enter a number (without commas).

Questions or Comments?

Contact Gregory Fisher at gcfisher@u.washington.edu

Appendix C: Example of company specific information provided

Company 24

Industry: Construction

Sub Industry: Civil engineering

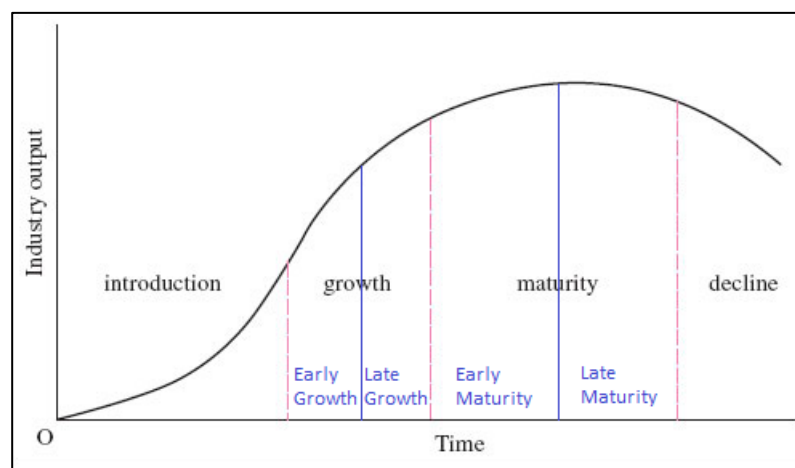
Location: Gauteng, South Africa

Detailed description of companies core functions:

Road construction, bulk earthworks, bridge construction, infrastructure development, sewer infrastructure development, water infrastructure development, road and bridge rehabilitation.

Please indicate on the graph below what industry maturity conditions you consider the above company to most likely be in (early growth, late growth, early maturity, late maturity).

Please remember to take into account: (1) the relative number of industry players, (2) the age of the industry, (3) the dynamism experienced in the industry and (4) the current and historical growth experienced by the industry, as detailed and defined on the *instructions page* provided with this company pack.



Appendix D: Parameter estimates for strategic legitimisation

Parameter		β	Std. Error	95% Wald Confidence Interval		Hypothesis Test		
				Lower	Upper	Wald Chi-Square	df	Sig.
Threshold	[Revenue=9]	-11.574	1.3087	-14.139	-9.009	78.221	1	.000
	[Revenue=8]	-10.606	1.2565	-13.069	-8.144	71.259	1	.000
	[Revenue=7]	-10.072	1.2433	-12.508	-7.635	65.627	1	.000
	[Revenue=6]	-8.804	1.2199	-11.195	-6.413	52.081	1	.000
	[Revenue=5]	-7.911	1.2029	-10.268	-5.553	43.247	1	.000
	[Revenue=4]	-6.925	1.1811	-9.24	-4.61	34.377	1	.000
	[Revenue=3]	-5.896	1.15	-8.15	-3.642	26.283	1	.000
	[Revenue=2]	-4.094	1.0878	-6.226	-1.962	14.163	1	.000
[sl=3.00]		-5.944	1.162	-8.221	-3.666	26.163	1	.000
[sl=2.75]		-4.234	1.0658	-6.323	-2.145	15.78	1	.000
[sl=2.50]		-5.468	1.0116	-7.451	-3.486	29.219	1	.000
[sl=2.25]		-4.986	1.0963	-7.135	-2.838	20.688	1	.000
[sl=2.00]		-3.162	0.9466	-5.018	-1.307	11.16	1	.001
[sl=1.75]		-4.028	0.8702	-5.733	-2.322	21.422	1	.000
[sl=1.50]		-4.423	0.9154	-6.217	-2.629	23.346	1	.000
[sl=1.25]		-5.426	0.9278	-7.245	-3.608	34.206	1	.000
[sl=1.00]		-3.818	0.8211	-5.427	-2.208	21.618	1	.000
[sl=.75]		-3.262	0.8749	-4.976	-1.547	13.898	1	.000
[sl=.50]		-3.668	0.9482	-5.526	-1.809	14.963	1	.000
[sl=.25]		-2.65	1.0976	-4.801	-0.499	5.829	1	.016
[sl=.00]		-2.002	0.8771	-3.721	-0.283	5.212	1	.022
[sl=-.25]		-1.197	0.8831	-2.927	0.534	1.836	1	.175
[sl=-.50]		-1.192	0.9398	-3.034	0.65	1.61	1	.205
[sl=-.75]		19.097	12216.7262	-23925.246	23963.441	0	1	.999
[sl=-1.00]		0 ^a	.	.	.	.	.	.
(Scale)		.441 ^b						

Appendix E: Parameter estimates for attention and appearance

Parameter		B	Std. Error	95% Wald Confidence Interval		Hypothesis Test		
				Lower	Upper	Wald Chi-Square	df	Sig.
Threshold	[Revenue=9]	-11.998	1.3463	-14.637	-9.36	79.43	1	.000
	[Revenue=8]	-11.041	1.2956	-13.58	-8.502	72.626	1	.000
	[Revenue=7]	-10.522	1.2833	-13.037	-8.007	67.233	1	.000
	[Revenue=6]	-9.321	1.2611	-11.792	-6.849	54.621	1	.000
	[Revenue=5]	-8.45	1.2433	-10.886	-6.013	46.188	1	.000
	[Revenue=4]	-7.498	1.2209	-9.891	-5.105	37.721	1	.000
	[Revenue=3]	-6.5	1.1909	-8.834	-4.166	29.789	1	.000
	[Revenue=2]	-4.682	1.1227	-6.883	-2.482	17.393	1	.000
[appearance=3.00]		-3.08	1.1311	-5.296	-0.863	7.413	1	.006
[appearance=2.50]		-3.234	1.014	-5.221	-1.246	10.171	1	.001
[appearance=2.00]		-3.319	0.9622	-5.205	-1.433	11.899	1	.001
[appearance=1.50]		-2.517	0.9017	-4.285	-0.75	7.794	1	.005
[appearance=1.00]		-2.369	0.8537	-4.042	-0.695	7.697	1	.006
[appearance=.50]		-3.047	0.8393	-4.692	-1.402	13.178	1	.000
[appearance=.00]		-1.606	0.8246	-3.222	0.01	3.794	1	.051
[appearance=-.50]		-0.435	1.0323	-2.458	1.588	0.178	1	.673
[appearance=-1.00]		0 ^a	.	.	.	.	.	.
[attention=3.00]		-2.473	0.7735	-3.989	-0.956	10.218	1	.001
[attention=2.50]		-2.457	0.9764	-4.371	-0.544	6.333	1	.012
[attention=2.00]		-2.154	0.6714	-3.47	-0.838	10.288	1	.001
[attention=1.50]		-1.614	0.6319	-2.853	-0.376	6.527	1	.011
[attention=1.00]		-1.074	0.6899	-2.426	0.278	2.424	1	.119
[attention=.50]		-0.504	0.6287	-1.736	0.729	0.641	1	.423
[attention=.00]		-1.504	0.634	-2.746	-0.261	5.626	1	.018
[attention=-.50]		0.342	0.6372	-0.907	1.591	0.287	1	.592
[attention=-1.00]		0 ^a	.	.	.	.	.	.
(Scale)		.448 ^b						