



# Legitimacy in Crowdfunding: Some Surprising Patterns

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**Abstract.** We extend prior research on narratives as a means for entrepreneurs to gain stakeholders' support by examining the role that narratives play in building legitimacy in crowdfunding. Our analyses on a dataset of narratives from a large crowdfunding platform suggest that entrepreneurs who finance their ventures through crowdfunding follow some patterns that are similar to those they would follow if they were addressing traditional money providers but also a set of very specific and surprising patterns related to legitimacy in terms of both the content and framing of their narratives. Specifically, narratives' content can cast projects as being different, niche oriented, and guided by values and craziness and as having weaknesses and undefined goals. In terms of framing, we observe abstract, informal, intimate, and collective narratives. We suggest that these patterns act to legitimize projects and persuade specific crowdfunding audiences of projects' legitimacy.

**Keywords:** legitimacy, narrative, crowdfunding.

## 1. Introduction

Acquiring resources is a true challenge for nascent ventures. Because of their newness, smallness, and uniqueness (Lounsbury and Glynn, 2001; Rutherford et al., 2009), new firms, unlike older and larger firms, often face a lack of legitimacy and may therefore experience difficulties in gaining support from resource providers (Rutherford et al., 2009; Zott and Huy, 2007). Indeed, until stakeholders finally consider new firms as legitimate, entrepreneurs will encounter difficulties acquiring the resources they need to survive (Rutherford et al., 2009). This lack of legitimacy explains the high mortality rate of new ventures (Singh et al., 1986).

Gaining legitimacy in the eyes of stakeholders is the only way new ventures can obtain access to essential resources (Shepherd and Zacharakis, 2003; Singh et al., 1986). However, assessing new ventures' potential for success is difficult for stakeholders due to the limited availability of information on these firms (van Werven et al., 2015). Given the ambiguity surrounding the nature of new ventures

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and the uncertainties involved, stakeholders may question new firms' ability to achieve their goals and generate revenues (Garud et al., 2014; Lounsbury and Glynn, 2001). These uncertainties are even more important and exacerbated in crowdfunding since the firms searching for crowdfunding support are often in a very early stage (Ahlers et al., 2015).

Crowdfunding has gained popularity over the last few years and has thus increasingly become a focus of scholars' attention. Crowdfunding has recently emerged as a new form of financing allowing early-stage entrepreneurial ventures to gather money from a large number of individuals (Schwienbacher and Larralde, 2012). With crowdfunding, entrepreneurs can fund their projects by drawing on relatively small contributions from members of the "crowd" using the Internet (Belleflamme et al., 2014; Mollick, 2014). Because of the significant information asymmetry between entrepreneurs and crowd members that characterizes crowdfunding, it is essential for entrepreneurs to convince the crowd about the viability of their projects and to build legitimacy in crowd members' eyes in order to acquire resources (Courtney et al., 2017). Despite its centrality for crowdfunding, research on legitimacy in such a context is quite rare, but has really gained interest recently (Soublière and Gehman, 2020; Tauscher et al., 2020). Tauscher et al. (2020), for instance, describe how distinctiveness of entrepreneurial narratives affects resource acquisition through crowdfunding, while Soublière and Gehman (2020) examine the consequences of past success or failure on gaining legitimacy for later entrants. In addition to their contribution to our understanding of crowdfunding, both works shed light on the fertile ground that legitimacy in crowdfunding constitutes for entrepreneurship research.

We draw on the narrative sensemaking literature since narratives may play a key role in addressing the problem of acquiring legitimacy (Lounsbury and Glynn, 2001; Martens et al. 2007). New ventures are often "opaque" with regard to information, creating difficulties for outside stakeholders to assess them (Rutherford et al., 2009). External audiences cannot observe what happens inside firms, but they can make judgments about ventures based on their narratives (Moss et al., 2018). Lounsbury and Glynn (2001) consider stories as symbols that help legitimize new ventures. They can alleviate the information asymmetry gap and therefore constitute a way to deal with the opaqueness characterizing new ventures (Courtney et al., 2017). Stories enable entrepreneurs to define new firms in ways "that lead to favorable interpretations of the wealth-creating possibilities of the ventures" (Lounsbury and Glynn, 2001: 546), reducing uncertainty and consequently enabling entrepreneurs to acquire cognitive legitimacy more quickly.

However, research investigating the impact of narratives in resource acquisition has typically examined the impact of narratives on conventional resource providers (Allison et al., 2015; Lurtz and Kreutzer, 2014; Martens et al., 2007). Prior studies have mainly examined how narratives help entrepreneurs acquire legitimacy and resources (Golant and Sillince, 2007; Martens et al., 2007)

and how the terms they borrow from dominant discourses (Cornelissen and Clarke, 2010; Navis and Glynn, 2010) help them convince stakeholders by providing familiarity and easier understanding as well as by reducing uncertainty. Surprisingly, however, the use of narratives for building legitimacy in crowdfunding has received limited attention (Fisher et al., 2017; Frydrych et al., 2014; Soublière and Gehman, 2020; Tauscher et al., 2020). Our study joins this recent and emerging stream of research and elaborates theory on how legitimacy is built in crowdfunding.

Studies looking at the impact of narratives for resource acquisition either do not “distinguish the legitimacy judgments of the different audience types” (Überbacher, 2014: 674), or they focus on one specific type of audience that a new venture addresses (i.e., investors) and “theoretically generalize their findings to other types of audiences” (Überbacher, 2014: 674; Fisher et al., 2017). However, legitimacy is a form of social acceptability, representing a judgement based on the focal audience’s specific norms, values, and beliefs (Webb et al., 2009). The way entrepreneurs build legitimacy in the eyes of crowdfunders is likely to be different from the way they would build it in the eyes of traditional money providers (Ahlers et al., 2015; Soublière and Gehman, 2020) because these two group of actors “operate under different logics” (Soublière and Gehman, 2020: 474). Compared to traditional investors, crowdfunders are driven by different motives (Daskalakis and Yue, 2018); participate with relatively small amounts of money; do not necessarily receive financial rewards for their investments; and are likely to lack the financial sophistication of traditional investors, who are able to assess the value of firms and their founding teams (Freear et al., 1994). An additional element that complicates our understanding of legitimacy for crowdfunding even more is that members of crowdfunding platforms may wear multiple hats (i.e., as money providers, customers, suppliers, etc.).

There have been different calls for future research to explore legitimacy judgments in different audience contexts (Navis and Glynn, 2010; van Werven et al., 2015). Knowing that a firm’s stakeholders have various interests and thus use diverse criteria and standards when assessing the firm’s legitimacy (Ruef and Scott, 1998), an important question arises as to *whether and how narratives allow entrepreneurs to construct legitimacy in the eyes of funders in the crowdfunding context*. We here explore legitimacy in crowdfunding as a new audience context and nourish our exploration using the narrative lens.

Using qualitative analyses and data collected on a crowdfunding platform, we identify some patterns of legitimization. Our study reveals some of the narrative processes that entrepreneurs seem to deploy to establish legitimacy on crowdfunding platforms in terms of both content and framing.

Our work contributes to the effort to understand the role of narratives in building legitimacy. We extend theory in several directions. First, scholars have long recognized legitimacy challenges in securing resources. These works have

shown that a narrative is a “rhetorical strategy” enabling entrepreneurs to establish legitimacy for their firms (Aldrich and Fiol, 1994; Ruebottom, 2013). Research has indicated that effective narratives highlight the normative appropriateness and distinctive nature of entrepreneurial ventures (Lounsbury and Glynn, 2001). We advance the theoretical understanding of how narratives help build legitimacy (Taeuscher et al., 2020) by describing components that are unique to crowdfunding narratives. Specifically, to advance the ongoing discussion on similarity and distinctiveness (Lounsbury and Glynn, 2001), we describe both the content and framing of such narratives and compare these elements to those traditionally found in narratives developed to persuade money providers.

Second, apart from a few recent works (Soublière and Gehman, 2020; Taeuscher et al., 2020), prior research investigating legitimacy development has largely focused on traditional resource providers. Our study contributes to extend legitimacy to the field of crowdfunding and suggests that, in this context, entrepreneurs act differently than they would if they had to address traditional money providers. In doing so, this paper also contributes to the emerging discussion on legitimacy in different audience contexts (Navis and Glynn, 2010; van Werven et al., 2015).

Finally, our study builds on rich qualitative data illustrative of how entrepreneurial narratives are operationalized by entrepreneurs seeking resources through crowdfunding platforms and therefore offers a database of key patterns in some of the most used narratives. Quantitative crowdfunding literature has looked at whether or not the crowdfunding project description on a platform website included a text description or a video, and at how this may impact funding success (Kaartemo, 2017; Kgoroadira et al. 2019; Mollick, 2014). Our qualitative study actually explores the *content* of these narratives, which is new to the crowdfunding literature.

The remainder of the paper proceeds as follows. In the next section, we present the theoretical background and discuss the use of narratives for legitimacy construction in the crowdfunding context. We then continue with a description of the data and of the research method. We then discuss our evidence, outline promising avenues for further research, and discuss the limitations of our study. The final section summarizes our main findings, discusses the practical implications, and concludes the paper.

## 2. Theoretical Background

In this section, we present the concept of legitimacy. We then describe narratives as a key tool for legitimizing new ventures. We give a general outline of crowdfunding and highlight why we focus on one type of crowdfunding

mechanism. Thereafter, we provide an overview of the question of legitimacy in crowdfunding through the lens of narratives.

## 2.1. Legitimacy

Legitimacy is a socially constructed reality that relies on a social judgment (Zimmerman and Zeitz, 2002), a form of validation from external stakeholders (Stone and Brush, 1996) based on cultural alignment (Scott, 1995). This social judgment of “appropriateness, acceptance, and/or desirability” exists in the eye of the beholder (Zimmerman and Zeitz, 2002: 416) in the sense that it represents an audience’s reaction to a venture as they see it (Suchman, 1995). More precisely, Suchman (1995: 574) defines legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.” Scott (1995) views legitimacy as a condition reflecting cultural alignment, normative support, and accordance with rules or laws.

According to Zimmerman and Zeitz (2002), achieving legitimacy enables ventures to access resources needed to survive and grow. The motivating factor for external actors to give such resources is “their belief or feeling that the venture is competent, efficient, effective, worthy, appropriate, and/or needed” (Zimmerman and Zeitz, 2002: 416). A new firm’s legitimacy is thus determined by the firm’s stakeholders, “who assess its conformity to a specific standard or model” (Ruef and Scott, 1998: 880). Stakeholders assess specific elements of firms, with varying degrees of knowledge and criteria (Ruef and Scott, 1998). To gain legitimacy, entrepreneurs need to adapt their new venture legitimization mechanisms to align with their audiences’ expectations, acting under specific logics (Fisher and al., 2017). Specifically, a firm needs to be in line with “the interests, values and beliefs” of specific targeted stakeholders (Golant and Sillince, 2007: 1161). Stressing the importance of legitimacy, Scott (1995) considers it a condition that provides the basis for resource providers’ decision making. In this sense, legitimacy constitutes the “precursor to tangible . . . and intangible resources” (Pollack et al., 2012: 921).

We now look at the levels at which firms can establish legitimacy. Gartner (1985) identifies four levels for analyzing entrepreneurship: the individual, the organization, the environment, and the process by which a venture is started. Concerning the individual level, two conditions must be satisfied for external audiences to commit resources to an entrepreneur: the entrepreneur must be trustworthy and competent (Gartner, 1985). Then, to reach the organizational level of legitimacy, evidence of the management team’s credentials and industry competence must be demonstrated (Gartner, 1985; Zimmerman and Zeitz, 2002). The environmental level refers to the task for ventures in emerging industries to convince external audiences that their new business is legitimate. Finally, the

process level consists of increasing the new venture's actual or perceived compliance with institutionalized expectations (Gartner, 1985). A firm's legitimacy can be anchored in distinct but interrelated dimensions, such as the personal legitimacy of the founding entrepreneur(s), the organizational legitimacy of the organization's structures and processes, or the relational legitimacy of the other people and organizations involved in the venture (Suchman, 1995).

Concerning the specific dimensions entrepreneurs need to focus on, Rao et al. (2008) identify two broad sources for acquiring legitimacy: internal and external. Concerning internal means, new firms can gain legitimacy by demonstrating historical (i.e., showing a history of product launches), scientific (i.e., showing technical capabilities), market (i.e., hiring people with experience in the market), and locational (i.e., being located in a geographic "cluster" well known for innovation) legitimacy (Rao et al., 2008). Concerning the external dimension, new firms can gain legitimacy by demonstrating links with established and recognized others (Rao et al., 2008). Singh et al. (1986) demonstrate that the acquisition of external legitimacy corresponds to a significant reduction in the death rate of new firms.

In terms of mechanisms, Fisher et al. (2017) identify three broad categories of mechanisms for building new ventures' legitimacy: identity, associative, and organizational mechanisms. The identity mechanism accounts for the creation and management of a venture identity aligned with the focal audience's expectations (e.g., storytelling, symbols, impression management etc.). The associative mechanism refers to a firm's relationships and connections with external parties (i.e., organizational and individual ties). Finally, the organizational mechanism focuses on organizational achievement or structuring (e.g., milestones, external validation, specific leaders, etc.).

## 2.2. Narratives

Due to new ventures' lack of a track record and market information as externally validated arguments, entrepreneurs need alternative arguments to establish that their firms are legitimate (Aldrich and Fiol, 1994). Legitimizing a new firm "is achieved primarily through the use of rhetoric" (Suddaby and Greenwood, 2005: 37). Specifically, narratives as a rhetorical strategy enabling entrepreneurs to establish their firms' legitimacy (Aldrich and Fiol, 1994; Ruebottom, 2013) constitute one of the "most crucial assets for a nascent enterprise" (Lounsbury and Glynn, 2001: 549). If the development of an appealing and coherent narrative is considered the most crucial legitimization tactic for a nascent firm, it is mainly because a narrative is "rich, subjective, and not subject to external validation" (Aldrich and Fiol, 1994; Rutherford et al., 2009: 952).

Narratives are important symbols using verbal or written language (Lounsbury and Glynn, 2001). As accounts of events and building blocks of stories, narratives are “constitutive of human understanding and integral to meaning-making, identity building and purposeful acting” (O’Connor, 2002: 36), and they enable the connection of “individual human actions and events with interrelated aspects to gain an understanding of outcomes” (Smith and Anderson, 2004: 127).

Therefore, entrepreneurial narratives offer “accounts that explain, rationalize, and promote a new venture” to reduce the appearance of uncertainty to external stakeholders (Lounsbury and Glynn, 2001: 546). Entrepreneurial narratives provide order and familiarity to apparently disconnected elements (Lounsbury and Glynn, 2001; Martens et al., 2007). They provide a link for shared sensemaking between entrepreneurs and stakeholders (Martens et al., 2007).

Through narratives, the unfamiliar becomes more understandable and familiar, thereby legitimizing entrepreneurial ventures (Lounsbury and Glynn, 2001). Once these narratives are articulated, understood, and repeated, they become institutionalized accounts that constitute the touchstone of legitimacy (Suchman, 1995). A new venture’s comprehensibility can be established by categorizing the venture in a group of organizations that are already known, understood, and taken for granted, or by spreading knowledge about the new venture (Aldrich and Fiol, 1994; Shepherd and Zacharakis, 2003) to help stakeholders realize that the venture idea makes sense (Suchman, 1995).

Legitimizing firms is made possible through “cultural entrepreneurship”, which is defined “as the process of storytelling that mediates between extant stocks of entrepreneurial resources and subsequent capital acquisition and wealth creation” and that involves two specific focus points (Lounsbury and Glynn, 2001: 545). The first point is about highlighting the distinctive nature of an entrepreneurial venture by emphasizing its uniqueness (Lounsbury and Glynn, 2001). The second point is about highlighting the “normative appropriateness” of a venture by stressing its congruence with similar others. More generally speaking, Rao (1994) suggests that legitimization consists of creating an account for a firm that embeds it in a symbolic universe.

In terms of practical mechanisms, different figures of speech have been argued to help build legitimacy (Cornelissen and Clarke, 2010; Garud et al., 2014). For example, Cornelissen and Clarke (2010) argue that analogies and metaphors create links between new ventures and concepts already understood by stakeholders to help entrepreneurs make sense of (unknown and still understood) ventures. In a similar vein, Garud et al. (2014) theorize that projective stories set future expectations that serve as the source of legitimacy by presenting a set of events in a chronological account.

### 2.3. Crowdfunding

Narratives are especially relevant for the legitimacy development of crowdfunding projects because entrepreneurs often solicit crowdfunding during the embryonic stage of their ventures, a time when uncertainty concerning the viability of their firms is particularly high and thus their legitimacy is particularly low (Belleflamme et al., 2014). A focus on narratives is particularly well suited for studying the early moments of the entrepreneurial journey because it is during this period that “entrepreneurial legitimacy tends to be the most pressing issue” (Lounsbury and Glynn, 2001: 550). Building legitimacy is important for all firms but even more for new ones (Zimmerman and Zeitz, 2002) since obtaining legitimacy is the only way for new firms to secure necessary resources (Singh et al., 1986; Rutherford et al., 2009; Zimmerman and Zeitz, 2002).

Because newborn firms often lack access to traditional resource providers (e.g., venture capitalists, banks, foundations), crowdfunding platforms constitute a complement to or a substitute for traditional funding channels. This financing mechanism enables entrepreneurs to raise funds from a large audience (crowdfunders) through a platform without standard financial intermediaries (Belleflamme et al., 2014; Mollick, 2014). Via such a mechanism, rather than soliciting a small group of sophisticated investors offering large amounts, entrepreneurs obtain small contributions from a large number of individuals (Belleflamme et al., 2014; Mollick, 2014).

In addition to gathering money (as well as advice) (Mollick, 2014), crowdfunding platforms also allow funders to achieve different objectives. There are four main forms of crowdfunding platforms that meet different interests: donation-based, reward-based, lending-based, and equity-based platforms (Cholakova and Clarysse, 2015). Donation-based platforms enable philanthropic donations without rewards, whereas reward-based models provide non-financial (tangible or intangible) rewards or perks, such as an advanced version of a product/service (Short et al., 2017). Lending-based platforms offer lending contracts (Belleflamme et al., 2014). According to the specificity of the loan, the original investment is returned to the lender with or without interest (Short et al., 2017). Finally, equity-based models offers a shareholding contract and provides small ownership stakes to investors (Cholakova and Clarysse, 2015; Short et al., 2017). For the purpose of this research, we only focus on reward-based platforms. As of now, this is the most prominent and the fastest growing form of crowdfunding (Ahlers et al., 2015; Mollick, 2014).

#### 2.4. At the Crossroads Between Crowdfunding, Legitimacy, and Narratives: What We Know and What We Still Need to Learn

The question of legitimacy in crowdfunding has been the focus of very few studies (Fisher et al., 2017; Frydrych et al., 2014). The existing studies on the topic help clarify the key elements of the legitimizing process. Specifically,



Frydrych et al. (2014) take an interest in the characteristics of successful projects, including legitimizing signals and content. They highlight how lower funding targets and shorter duration indicate legitimacy by sending the signal of achievable expectations. The authors also find that rewards send the message of legitimate investment returns. However, apart from these signals, Frydrych et al. (2014) are not fully convinced that entrepreneurial narratives explain crowdfunding campaign success. While their research reveals some of the processes that entrepreneurs deploy to establish legitimacy in reward-based crowdfunding, it also argues that community behavior as herding behavior is a stronger indicator of organizational legitimacy than narrative legitimacy.

Fisher et al. (2017), who instead explore the consistency of the legitimizing process with audiences' expectations, indicate that there are three mechanisms for building new ventures' legitimacy: identity, associative, and organizational. In terms of identity, Fisher et al. (2017) categorize crowdfunders as operating under a "*community logic*" espousing the "cooperative capitalism" principle. The source of authority is "commitment to community values and ideology," and the basis of norms is "group membership" (Fisher et al., 2017: 56). Under such a logic, "unity of will" and "belief in trust and reciprocity" constitute the basis of legitimacy, and "emotional connection" constitutes the source of identity (Thornton et al., 2012: 73; Fisher et al., 2017).

In terms of the associative mechanism, to appear legitimate to an audience that operates under a community logic, an entrepreneur needs to highlight "the contribution the venture will make to the community and how it will provide value to the members of that community" (Fisher et al., 2017: 59). Fisher et al. (2017) speak of a "*contribution claim*." The language and symbols developed by entrepreneurs thus need to connect with and contribute back to a niche community with specific needs. Moreover, an entrepreneur may enhance a new venture's legitimacy by associating it with prominent community members and associations as a way to signal that he or she is "part of the community and has, to some extent, been vetted and validated by others who share" the community's values and ideology (Fisher et al., 2017: 60).

In terms of organizational mechanism, new venture legitimacy judgments focus on whether an entrepreneur is perceived as a "community insider" (Fisher et al., 2017). Therefore, to gain legitimacy from such an audience, an entrepreneur needs to be perceived as an active member of the crowdfunding community. Another organizational mechanism for legitimizing in crowdfunding can be for a venture to prove that it can deliver on its promises, such as showing a prototype, for example. The conceptual framework developed by Fisher et al. (2017) provides a relevant theoretical base for extending the research on the process of establishing legitimacy for new ventures through crowdfunding.

This small body of research highlights perspectives that build knowledge on how narratives may influence resource acquisition and contributes to knowledge about the importance of narratives in crowdfunding. However, research on

building legitimacy through narratives on crowdfunding platforms remains very limited, and there is little empirical evidence to support theoretical arguments.

The purpose of our study is to explore and gain further understanding of the legitimacy processes in crowdfunding. In the following section, we describe our empirical analysis and our results.

### **3. Data and Method**

In this section, we first introduce the Ulule platform as the source of our data sample. We then describe the purpose and development of our qualitative study.

#### **3.1. Data**

This exploratory study uses publicly available entrepreneurial narratives on the crowdfunding platform Ulule. Ulule is one of the three largest crowdfunding platforms in the world (along with Kickstarter and Indiegogo). Since its launch in October 2010, 201,974,555 euros have been raised to finance 35,492 projects. This platform has a success rate (i.e. projects that obtain 100% of the targeted amount) of 78%. Ulule values diversity with seven available languages and projects from 15 broad categories: Film and Video, Music, Charities and Citizen, Publishing and Journalism, Stage, Games, Art and Photo, Sports, Crafts and Food, Technology, Fashion and Design, Comics, Childhood and Education, Heritage, and Other Projects.

All entrepreneurs are free to launch a campaign. However, before being authorized to start a campaign, they need to discuss it (and adapt it if needed) with a platform staff member. The narratives entrepreneurs develop for the platform describe their projects and their reasons for the fundraising as well as the entrepreneurs themselves. In addition to this narrative, the funding goal (amount or number of pre-sales), the duration of the campaign (days), and the proposed rewards appear on the right side of the page.

Ulule follows an “all-or-nothing” model (vs. “keep-it-all” model), which means that a project has to be fully funded before its deadline, otherwise no money is transferred to the focal entrepreneur. If a project reaches its goal early, it can still pursue the campaign until the deadline. Backers on Ulule receive no financial returns, instead receiving tangible (e.g., a postcard) or intangible (e.g., an autograph) rewards for their support or the chance to pre-buy products/services. Crowdfunders are allowed to give money and choose not to receive the proposed reward in case they just want to support a project.

### 3.2. Method

To build our database, we extracted the narratives for all (both successful and unsuccessful) closed projects written in English from April 2011 to November 2016. This approach resulted in 492 crowdfunding campaigns listed on Ulule.

Content analysis was used to identify narrative patterns “by systematically and objectively identifying specified characteristics” (Stone et al., 1966: 5). The use of content analysis is particularly relevant to explore understudied areas because it enables researchers to explore a topic prior to conducting more detailed empirical studies (Duriiau et al., 2007).

We used the NVivo software to code first-order codes, second-order codes, and aggregate theoretical dimensions within the data. As we went through each step, we worked recursively between the data and the emerging theory. We detail each step below.

#### *a) Identifying first-order codes*

We began our analysis by using an open coding approach (Strauss and Corbin, 1990), focusing on keywords reflecting how entrepreneurs develop stories of their firms. At this first stage, we allowed the data “to speak to us” in order to categorize and label the individuals’ statements and to allow the nodes to emerge gradually (Glaser and Strauss, 1967). Our initial coding followed the process outlined by Navis and Glynn (2010). Indeed, we started by coding the identity of the organization (coding the entrepreneur’s description of “what we do” and “who we are”), the market category, and affiliation (alliance partners) for each narrative. New codes emerged during the process as we compared pieces of narratives and grouped similar pieces together (Glaser and Strauss, 1967). We inductively added categories until each quote fit into a node and we had represented all quotes (saturation).

As we progressed, we read and re-read the comments and coded and re-coded the nodes several times. This process allowed us to solidify some categories and to remove irrelevant categories. Specifically, we decided to retain and build up some categories (e.g., “affiliation”) and remove less relevant categories (e.g., “when the project started”). We then labeled our codes (Strauss and Corbin, 1990). By the end of this first step, we identified 44 codes.

#### *b) Aggregating first-order codes into second-order codes and theoretical themes*

In the second step of our analysis, we moved to a more abstract coding of the data into theoretical categories and sub-categories (Strauss and Corbin, 1990) (e.g., we grouped “association with established firms” and “association with established experts” as sub-categories of the broader category of “affiliation”). We aggregated the first-order codes into higher-order themes, iterating between emerging theoretical themes and the data. We then updated the categories with definitions for each code. As this process continued, we began identifying

common themes or linkages within and between cases (Gioia and Chittipeddi, 1991; Gioia et al., 2013) (e.g., in all cases, we found the development of affiliation, creating a link with existing structures/people).

*c) Theoretical coding, overarching dimensions, and theoretical framework*

As the final stage of our analysis, repeatedly iterating between the data and the emerging dimensions for comparison (Glaser and Strauss, 1967), we abstracted the second-order themes into higher-order theoretical dimensions that serve as the building blocks of our model. As we progressed, we continued solidifying and formalizing relationships between themes (e.g., as we went through the data again and again, “affiliation” was further filled in with data, confirming the category). This final step enabled us to develop a theoretical framework that linked the various concepts that emerged from the data.

#### **4. Findings**

To understand how entrepreneurs construct legitimacy, this section draws upon their crowdfunding narratives to explore the role of the different theoretical dynamics that we discussed earlier.

As we considered the entrepreneurs’ narratives, we systematically analyzed (as described in the method section) the data and found a set of legitimizing processes used by entrepreneurs in their written language. Some of these elements are in line with previous research on legitimacy, while others are original. In the next section, we describe each of these elements with illustrative quotes. We start with the traditional patterns of legitimacy that we observed in the crowdfunding narratives. We then move to the more surprising and dissimilar patterns that have not been traditionally observed in entrepreneurs’ legitimacy processes.

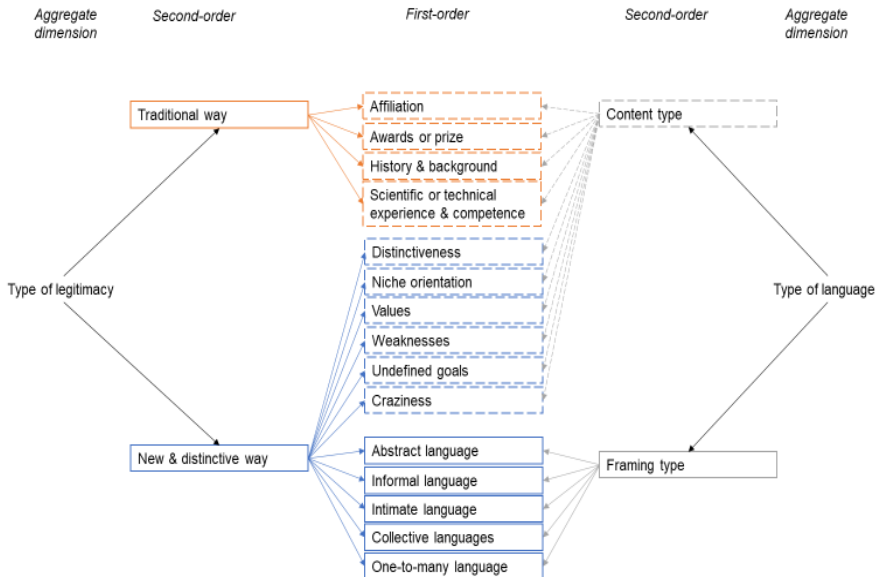
Figure 1 summarizes our first-order codes and Figure 2 shows our data structure and reduction. Both figures are inspired by the methodology employed by Aluko et al. (2019).

Figure 1: First order codes.

Raw Data	First-order
"MountainNow is proud to count on the support and immense experience of the French Alpine Club (CAF) of Chamonix for its present and future development" (MountainNow)	Affiliation
"Best Young Driver Award." (500 Horsepowers)	Prizes & awards
"following the success of the first two editions here who is preparing the realization of DVD of the third selection of Italian animated film: a curious glance and without prejudices about the world of Italian contemporary production." (Animazioni)	History & background
"I have also completed well over a dozen short film documentaries and experimental video installations over the years...." (Don't Feed the Gate-keepers)	Scientific or technical experience & competence
"Diariesof is not just another travel magazine." Similarly, Lonesome Dog Arkestra (a rock cover band album) claims "It's not so ordinary." (Diariesof)	Distinctiveness
"the soul of Goulash Disko belongs to this tiny fisherman village," so he "decide[d] to downsize the festival to the small scale, intimate and organic gathering that it should remain" (Goulash Disko)	Niche orientation
"Education is, to our mind, the cornerstone of a child's itinerary—being able to contribute at our own humble level to this cause, is an additional motivation in our entrepreneurial adventure." (Panafrika)	Values
"Due to lack of budget in the Communication Design department and to the tight deadlines to get a grant, I am in need of public help." (Entre Chien et Loup)	Weaknesses
that "if the funds obtained significantly exceed the targeted amount, then I will be able to work full-time on the project and may even extend the development period. This would allow [me] to bring even more improvements to MathML, support in Gecko/WebKit.-)." (Mathematics in eBooks)	Undefined goals
"This crazy idea that involves cycling to the dance festivals of Europe with a self-sufficient dance solo in order to promote my dance company 'Chiroptera.'" (Unlimited)	Craziness
"We want you to share a great moment with your family, friends and colleagues around a cup of coffee that has a particular story." (Javry)	Abstract language
"Hello crowd funders! Let me tell you about the metal band my friends and I started three years ago. We used to play together in a black metal band called 'Sewage.'" (Post Nuclear Gods)	Informal language
"THE PILGREENS will come by your garden to give you a hug and a big special surprise from the trip." (The Pilgreens)	Intimate language
"I AM, THEY ARE, WE ARE." (Serendipity in the Process of the Error)	Collective language
"We are doing this crowdfunding to generate interest in the event, expand communication, attract sponsors and raise some funds to cover the balance of the event's costs which can't be shouldered by Sillex Labs alone." (The Worldwide Haxe Conference project)	One to many language

Note: Methodology inspired by Aluko et al. (2019).

Figure 2: Data structure and reduction



#### 4.1. What Is the Same Between Legitimization for Traditional Investors and for Crowdfunding?

In line with Rao et al. (2008), we identify two broad sources of acquiring legitimacy: external, mainly through affiliation with others and awards or prize acquisition, and internal, by demonstrating a history (and past successes) and scientific or technical competence.

##### *a) Affiliation*

As shown in previous research (Aldrich and Fiol, 1994; Rao et al., 2008), we observe a sort of “affiliation” with other organizations that are well known by the audiences the entrepreneurs are aiming at. Affiliation with others clarifies the relationships between new firms and others in the classification system through external ties (Hsu and Hannan, 2005). Firms’ affiliations with more established and prominent organizations may improve perceptions of quality, image, reputation, etc. (Navis and Glynn, 2010). For example, the project MountaiNow (an app for consulting the latest mountain conditions) stresses its link with a national alpine organization: “MountaiNow is proud to count on the support and immense experience of the French Alpine Club (CAF)<sup>2</sup> of Chamonix for its present and future development.” In the same way, Nothing but the Wax (a platform with reports, interviews, and videos about the creative industries in Africa) indicates that it is supported by TV5 Monde<sup>3</sup>—“TV5MONDE selected this project which reflects its values and will share it to its community on social networks”—highlighting that the project has been recognized and considered as legitimate by well-known others.

To further highlight quality, some projects also share comments that have been made in the press. For example, the narrative for the project Bitch, Popcorn & Blood (a short movie) includes a quote about the project by a journalist from the *Daily Mars*: “A tetanizing final.” Another example of this media support is the project NOM (speaker system), stating, “The Rock’R<sup>2</sup> is one of our best sellers. Approved by the French and International media (TF1, Fun Radio, Le Parisien, France 2<sup>4</sup>, Bloomberg...) the Rock’R<sup>2</sup> was the star at the latest Paris Fair.”

We also observe affiliation with experts. These experts can be people recognized within a particular industry, celebrities, or knowledgeable people. Entrepreneurs also justify the existence of their ventures through the fact that they are supported by credible people. These experts establish some sort of authority as “endorsements by highly legitimate actors” and are used to convince funders of ventures’ legitimacy (van Werven et al., 2015: 627). Communicating affiliation with experts indicates that these “authoritative actors . . . understand what” the firm “is trying to achieve” (van Werven et al., 2015: 627). In our

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2. A well-known federation of clubs promoting mountain sports in France.

3. Top TV channel in France.

4. Top TV channels, radio stations, and newspapers in France.

narratives, entrepreneurs highlight experts' support or highlight more direct collaborations with them. For example, 100,000 Lives (a project for mosquito-repellent soap to fight against malaria) highlights the support it gets from an individual with knowledge in soap development: " 'ITECH has worked with Gérard Niyondiko to optimize the formulation of its mosquito-repellent soap. We support this human-centered and very promising project to make it very soon a reality,' Pascale Cottin, Head of cosmetics formulation - Institut Textile et Chimique (ITECH)<sup>5</sup> in Lyon, France." Another example is the project Don't Feed the Gate-Keeper (a music album), which highlights that its "music background includes collaborations with renowned flutess [sic] and jazz composer Nicole Mitchell<sup>6</sup>, Toni Allen<sup>7</sup>, [and] Vincent Segal<sup>8</sup> to name a few."

### *b) Prizes and awards*

As for affiliation with known others, highlighting prizes and awards is a way for entrepreneurs to show that their projects (or themselves) have been considered as legitimate by others. Like entrepreneurs who try to gain the attention of formal sources like banks or venture capitalists and who lack a true history of success, entrepreneurs in crowdfunding need to signal some "formal credentials, awarded by recognized accreditation bodies or other third parties that are viewed as neutral and objective" (Lounsbury and Glynn, 2001: 554). In addition to being accepted by established players (Almobaireek et al., 2016), projects (or entrepreneurs) are also recognized for their quality. For example, Juba in the Making (a movie project) indicates that it "was awarded the Innovation in Development Reporting Grant by the European Journalism Centre, sponsored by the Bill and Melinda Gates Foundation." Demonstrating the quality of the entrepreneur, the creator of 500 Horsepowers [sic] on Mountain Roads (a racing project in the mountains) tells that he has won the "Best Young Driver Award."

In addition to external means, we observe that crowdfunding projects attempt to build internal legitimacy by demonstrating a history and scientific or technical experience and competence.

### *c) History and background*

Some projects, even if they are very young, stress their past success to anchor their associated ventures in a longer history. These projects act "as if" as a way to create the impression that they are fully operating firms. For example, highlighting its past success, Animazioni 3 (an animated movie) gives substance to its current project: "following the success of the first two editions here who is preparing the realization of DVD of the third selection of Italian animated film: a

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5. ITECH is the European School of Paints, the World School of Leather and a School well-recognized for its applications in chemistry (paint, inks, adhesives and cosmetics) and textile techniques.
  6. American jazz composer and flautist.
  7. Nigerian drummer, composer and songwriter.
  8. French cellist and bass player.

curious glance and without prejudices about the world of Italian contemporary production.” In another example, Dropshard SILK TOUR 2015 (a rock band tour) justifies its current project through the past success the band has experienced:

“We started doing music together in 2007 and since then we recorded two albums: ANYWHERE BUT HOME (Sonic Vista Music - Feb 2011) and SILK (Sonic Vista Music/Aurovine - Oct 2014). Our music has led us to various stages in Italy and allowed us to play even in England twice.”

*d) Scientific or technical experience and competence*

We observe that entrepreneurs highlight their experience and competence or those of the people working on their projects, detailing their “curriculum vitae” in order to demonstrate that they are skilled enough to lead their projects. This observation is in line with Erikson (2002), who shows that it is vital for entrepreneurs to demonstrate their competence toward possible investors. Indeed, Zimmerman and Zeitz (2002) extensively document the positive role of entrepreneurs’ education and qualifications as a source of cognitive legitimacy for their firms. However, rather than signaling their management skills (demonstrating their ability to manage a venture), which are considered to be among the most important selection criteria for money providers (Zacharakis and Meyer, 2000), entrepreneurs in our database tend to show their skills and knowledge in their project domains. For example, the project owner of Don’t Feed the Gate-keeper details the experience he has accumulated:

“In 2012, he obtained his M.S. in Mathematics and started to work full-time for the MathJax Project. During that year, he got the opportunity to participate in many other open source projects, including the WebKit MathML project or MediaWiki Math. He now wants to use his expertise to spend more time on browser MathML developments.”

Another example is the narrative for the project Mathematics in eBooks (an ebook to study mathematics), which focuses on demonstrating one of the project creator’s knowledge and competence in mathematics:

“I have also completed well over a dozen short film documentaries and experimental video installations over the years. I have co-conceptualized and lead [sic] several collaborative artist workshops internationally, had my work featured in various exhibitions internationally (including Cité des arts Paris, and the Academy of Arts Vienna) and have given several performative audio visual anti-lectures internationally at renowned universities.”



#### 4.2. What Is Different Between Legitimization for Traditional Investors and for Crowdfunding?

While we document several similarities in the legitimacy processes of entrepreneurs facing traditional money providers and entrepreneurs facing crowdfunders, we also observe substantial and sometimes very surprising differences in how entrepreneurs communicate information for legitimacy development.

##### *a) Distinctiveness rather than similarity as venture identity*

Research on legitimacy has referred to the need for “legitimate distinctiveness” (Navis and Glynn, 2010). New ventures face the challenge of not only having to conform with institutional norms but also having to highlight distinctiveness (Navis and Glynn, 2010). New firms’ legitimization process should therefore involve demonstrating their similarity to “other organizations in their institutional environment, but at the same time” their distinction from those organizations (van Werven et al., 2015: 616).

Departing from similarities and demonstrating the venture’s difference is a pattern that we observe in our data. A clear example can be seen in the narrative of DropShard Silk Tour 2015 (a progressive music tour): “Following the roots of masters of progressive music like Genesis, Yes, Jethro Tull, King Krimson, [and] Led Zeppelin and taking inspiration from modern progressive/alternative bands like Pain of Salvation, Riverside and Porcupine Tree, Dropshard attempt[s] to create its own music with two Eps [albums].” Rather than focusing primarily on convincing funders that their ventures both “fit in and stand out from [their] environment” (van Werven et al., 2015: 628), what we observe in our narratives is that some entrepreneurs mainly or only focus on their ventures’ distinctiveness, specifically the extent to which they differ from rivals (Navis and Glynn, 2010). For example, Curling in Belgium (a curling organization) highlights how they “are pioneers and we want the world to know.” In the same way, Diariesof (a travel magazine) emphasizes how it is cognitively distinct from any prior or existing solutions, arguing “ ‘Diariesof’ is not just another travel magazine.” Similarly, Lonesome Dog Arkestra (a rock cover band album) claims “it’s not so ordinary.”

##### *b) A small and limited audience rather than a large client base as the target audience*

It is traditionally considered crucial for entrepreneurs to demonstrate their firms’ ability to attract and develop a strong and stable customer base (Parhankangas and Ehrlich, 2014). Showing funders the development of a customer base “in terms of either the number of paying customers or the amount of absolute revenues” “quickly enough to break even within a reasonable time” is an effective symbolic action entrepreneurs need to pursue (Zott and Huy, 2007: 81). Indeed, van

Werven et al. (2015) speak of “generalization” to describe how entrepreneurs are able to use narratives to “tell stakeholders that customers will buy and like the product when it is released in the market, thus generalizing the evaluations of their trial customers to a broader group consisting of all potential customers” (p. 624).

We observe that rather than emphasizing how their new ventures are likely to function as established ventures addressing the needs of a large customer base and generating profits, entrepreneurs tend to highlight the “smallness” and “singularity” of their audiences. We do not observe any awareness of the need to meet a wider customer base’s expectations. Some entrepreneurs clearly claim that their ventures are niche businesses. In our crowdfunding projects, some claim that their projects may only interest a few people. For example, the person behind *Fractal Universe* (a progressive music album) states that “as our music is very extreme, dark, and progressive, it fits in a little niche, where it’s a tough job to find the people that will enjoy and identify themselves with it.” Another entrepreneur indicates that he believes “that the soul of *Goulash Disko* belongs to this tiny fisherman village,” so he “decide[d] to downsize the festival to the small scale, intimate and organic gathering that it should remain” (*Goulash Disko* project, a music festival). He further indicates that he expects the festival to “be limited in capacity, and everyone taking part in it is expected to behave as proper Goulashian: with love, consciousness and respect.”

*c) Backing values rather than a business vision as a venture offering*

Research has documented how funders look for profitable opportunities (Huang and Pearce, 2015; Parhankangas and Ehrlich, 2014; Zott and Huy, 2007). Therefore, entrepreneurs traditionally justify their need for money for a project by highlighting a gap in the market—a potential opportunity. Investors want to see that there is potential for significant financial return and that entrepreneurs are financially committed toward this business objective (Mason and Harrison, 1996). We thus expected entrepreneurs to clearly present their business vision and outlook (Ahlers et al., 2015). However, in our narratives, entrepreneurs do not usually ask crowdfunders to invest money into business opportunities. Rather, our narratives suggest that project owners neglect the business potential dimension, instead asking funders to back their “values.” Following O’Neil and Ucbasaran (2016), we observe a legitimization process mainly based on “what matters to them [the investors]” (p. 134).

This principle is clearly expressed by the project *Submarine* (a guitar pickup system): “Yes, ultimately we need the cash, but successful projects are as much built on people’s drive and belief as pennies in a piggybank. If you do believe in this project, convince a friend.” Another illustration is provided by the creator of *L’chaim* (a vinyl project), who justifies the launch of his project based on the love of good music:

“After all the love we put into making this album, we feel like you need to enjoy it to the fullest. That’s why we would like to give you the opportunity to get it on

vinyl, not only for the gesture of taking out the record and laying it slowly on the LP player, caressing the album cover, hearing the record skip because your friends are being too wild, but just because our music lovers know: music isn't real music if it's not on vinyl!"

Similarly, the entrepreneur behind the Ludi Vojago project (a board game workshop animation tour around Europe) explains that her project is based on a very "simple principle: playing is cool." In another example, Panafrica (a socially responsible sneakers brand) outlines the core principle of its fashion brand identity: "Education is, to our mind, the cornerstone of a child's itinerary—being able to contribute at our own humble level to this cause, is an additional motivation in our entrepreneurial adventure." In the same way, HIDE and SEEK International Art Exhibition does not discuss the potential business opportunity it represents for funders but rather the core value in which it is anchored: "We believe that initiative in the arts, despite of its size, still contributes immensely to the overall growth of the cultural scene." A further example is the Foodlab project's narrative, which uses a Victor Hugo quote: "This kitchen is a world itself whose chimney is the sun."

*d) Confessing weaknesses (highlighting the need for help) rather than demonstrating strength and capital base*

Linked to the previous point, researchers often emphasize that entrepreneurs need to demonstrate strength to launch a firm. Demonstrating strength and the extent to which an entrepreneur or firm is focused on generating profits is often considered essential for establishing legitimacy. Entrepreneurs are often expected to be able to generate a certain level of cashflow (Ross, 1978) and are thus expected "to provide financial forecasts or projections to potential investors" (Ahlers et al., 2015: 963). Research supports the argument that signaling the viability of a venture and possible returns for investors positively impacts investors' support (Huang and Knight, 2017). For traditional investors, profits and potential gains likely represent important signals that convey legitimacy to entrepreneurs.

However, our narratives do not indicate framing in which entrepreneurs attempt to present their projects as good investments that are likely to succeed financially and provide good returns. Consistent with the results of Allison et al. (2015), our narrative analysis rather suggests that some entrepreneurs frame their campaigns as a call for help. Indeed, our narratives support the idea that signaling vulnerability may help build perceptions that the need for capital is legitimate. We observe that entrepreneurs do not hesitate to highlight their lack of financial base and ask for help. For example, the entrepreneur behind *Entre chien et loup* (a work of art) indicates why she is raising money: "Due to lack of budget in the Communication Design department and to the tight deadlines to get a grant, I am in need of public help." Some entrepreneurs even go as far as to say that the crowdfunders' financial support is "a do-or-die thing for the project" and that if

they do not “raise at least EUR 35000 to support this IT development, the project will die” (MountaiNow). Another example is the entrepreneur behind the World War II Veterans project (a collection of World War II Veterans’ memories) that says, “Without you, I will not be able to achieve this project, and in a few years, it will be too late to meet these veterans.”

*e) “The more we have, the more we do” rather than a defined objective in terms of money*

The literature on business planning has indicated that entrepreneurs have to provide a clear, well-defined, and reliable plan to fulfill investors’ need to know what the money they invest will be used for (Mason and Harrison, 1996). We therefore expected entrepreneurs to determine a certain amount of money to acquire and develop a well-defined idea of how this money will be used. However, we observe a more diverse and ambiguous attitude in entrepreneurs’ narratives. They do not really set a limit but rather follow a “more is better” pattern. For example, members of Making of Dennis Howard Album (a posthumous tribute album) inform potential money providers that if the money collected is higher than expected, they “will make a donation to the Buddhist monastery in the “Plum village” in Dordogne, who greets Dennis with a fine ceremony for his departure, and who is precious in the accompaniment of his family.” Another example is Mathematics in eBooks (see above), indicating that “If the funds obtained significantly exceed the targeted amount, then I will be able to work full-time on the project and may even extend the development period. This would allow [me] to bring even more improvements to MathML support in Gecko/WebKit :-).” The entrepreneurs behind River Nomads (a documentary movie on the river nomads in Niger) work in the same way, stating that they “really hope the project will receive more than we asked in order to pay [for] mobile solar energy panels and light kits (including a lamp and a multifunction phonestick) for the groups of river nomads who allowed us to follow their trip between Gaya and Niamey.” Finally, some projects do not even have a well-defined idea of how they will use the money they raise. Órgiva’s (a Montessori school in Spain) lists things that will be financed and end by saying “And so much more! Possibilities of spending this money honestly and smartly are infinite!”

*f) Crazy ideas rather than realism*

Entrepreneurs are often expected to provide realistic expectations (Mason and Harrison, 1996). Realism is one of the three essential factors that prompts traditional money providers to invest in a firm (Feeney et al., 1999). Unrealistic plans may signal a lack of credibility and scare potential investors (Mason and Harrison, 2002). However, in our narratives, we observe that some entrepreneurs ask for money to fulfill dreams, recognizing they are driven by crazy ideas. EJC 2013 (a European juggling convention), for example, asks potential funders to “Let us continue this sweet dream :).” Another example is the entrepreneurs from MHASC (an app to assess early-onset hallucinations), who confess that they “are

a team of dreamers, of nonconformists. We believe in future and progress.” Entrepreneurs sometimes even ask funders to be part of their dreams, as illustrated by the project Sierra School of Todos Santos (a secondary school in Mexico): “DREAM WITH US!” Rather than credible projects nourished by realistic expectations, we also observe dreams that are made possible by entrepreneurs’ craziness. For instance, the entrepreneur behind Unlimited (a dance performance) says, “This crazy idea that involves cycling to the dance festivals of Europe with a self-sufficient dance solo in order to promote my dance company ‘Chiroptera.’” Another example is World Radio Paris—Launch over the Airwaves (a community radio station), which explains that “The WRP project was born in 2006 when a group of English speakers living in Paris met around the crazy idea of launching a radio station in English targeting the large Anglophone community in the French Capital.”

*g) Abstract rather than concrete language*

In addition to differences in the content of entrepreneurs’ communication, we also observe substantial differences in the framing of entrepreneurs’ communication. As one aspect of entrepreneurial rhetoric, concreteness has been found to be important for resource acquisition (Allison et al., 2015). Parhankangas and Renko (2017) indicate that using concrete and precise language facilitates fundraising. Concreteness is said to be an important predictor of crowdfunding success for social ventures characterized by high uncertainty. However, our narratives suggest an alternative argument, with abstractness being at the heart of entrepreneurs’ choice of words. For example, the festival Goulash Disko (see above) is described by the entrepreneur as “a magical experience combining positive music, virgin nature and collective awesomeness.” Another example is Javry (a coffee bar project), indicating, “We want you to share a great moment with your family, friends and colleagues around a cup of coffee that has a particular story.” In the same way, the fashion project Panafrica symbolically describes what it means to wear this brand as follows: “Wearing Panafrica is embodying African joy of life, and it differentiates yourself in the urban jungle!” Another example comes from Praise of Shadow (an exhibition of pictures and calligraphies from Japan): “This series of photographs takes us to Japan, takes us where beauty lies in shadows, where the visible is revealed by the hidden.” Another illustration is the project Sundown (a festival of ancient music), explaining, “In music, generosity of spirit, we dance the sacred grounds, where ancient nomadic tribes of Ireland gathered, and paying tribute to Earth, home!”

Researchers have claimed that in contrast to concrete words, abstract words take longer to read and are understood more slowly (Schwanenflugel and Stowe, 1989). According to Parhankangas and Renko (2017), abstract language can be difficult to follow. However, our observations are in line with Menegatti and Rubini’s (2013) results and tend to show that abstract (figurative, symbolic) language, compared to more concrete language, is particularly useful and relevant when addressing an audience that is similar and/or close to the entrepreneur. This

stems from the fact that when people talk to a “close” audience, they do not need to be precise and provide details but can instead “communicate generalized views with interpretative and decontextualized terms, that is, with abstract language” (Menegatti and Rubini, 2013: 598).

#### *h) Informal rather than formal language*

Traditionally, formal narratives are used to address “such audiences as bankers, venture capitalists, and media representatives” (Martens et al., 2007: 1109). Adopting a formal business plan constitutes a rationalizing framework that enables entrepreneurs to establish legitimacy in the eyes of traditional money providers (Almobaireek et al., 2016). Connected to this, Clarke (2011) examines how entrepreneurs employ formal and informal visual symbols in the legitimization process. The author develops a theory on how entrepreneurs use the way they are dressed as symbolic means to signal to resource providers that their ventures are legitimate and thus to gain and sustain support for them. As a symbolic tool to be used in addition to language, Clarke (2011) indicates that entrepreneurs use formal modes of dressing to portray themselves as legitimate entrepreneurs in front of investors or other relevant stakeholders.

However, rather than formal language, we observe that the entrepreneurs on the crowdfunding platform that we studied seem to use more casual informal language. For example, the entrepreneurs behind Recording “Post Nuclear Gods” (a metal band) start their narrative by saying, “Hello crowd funders! Let me tell you about the metal band my friends and I started three years ago. We used to play together in a black metal band called ‘Sewage.’ ” The project owner of Marco Schnabl Debut Album starts with “Hey there!”. Another example is the narrative of Cloud (a coffee shop and bar with cultural performance venues) that ends with the entrepreneur’s dog speaking: “Seima is our loveable GUARD DOG! If Seima could talk, she’d say.....woof woof bark bark bark, translated means... Welcome to MY house called ‘Cloud K9,’ please give me some of your leftovers my boss cooked, if you do I will love you lots n lots n lots!” This informal language is also present in colloquialisms, as illustrated by the project Sundown: “Thank you n gowaaan tell your friends!!” Another informal linguistic frame used by entrepreneurs is the emoticon. For example, the project Diariesof thanks potential funders with a heart shaped emoticon: “Thank you <3.”

#### *i) Intimate rather than distant language*

We also generally expected entrepreneurs to adopt a distant business-like language with potential funders, a style of language that people use with strangers or, more generally, with people other than family members and friends. Distant language is typically used in business or to address a superior, whereas intimate speech is more appropriate in personal situations (Bell, 1984). In a situation like crowdfunding, in which entrepreneurs are supposed to win the approval of their audiences, standard distant language is supposed to be used (Bell, 1984).

However, we observe a very different kind of speech. In our narratives, entrepreneurs generally use very intimate language as if the members of their audiences are not strangers but rather family members or friends. A first example is the entrepreneur behind Together for Burma (a project supporting independent journalists and activists in Burma) who shares her nickname as she would with close people: “My name is Aleksandra Minkiewicz, but friends often call me ‘Olan’ which means loudspeaker in Burmese.” Another example comes from the Pilgreens project (promoting electric power), offering physical contact as a reward:

“THE PILGREENS will come by your garden to give you a hug and a big special surprise from the trip. In case you live on the “wrong” continent, they will hug you with a video including a personalized message to your attention and your message for the world!”

The kinds of interactions entrepreneurs are looking for can be shaped by the language they use. Adopting intimate language can make members of an audience feel a shift in the nature of the relationship. They may begin to feel as if they were intimate relatives (Bell, 1984) as intimate language can simulate or create intimacy with a stranger.

*j) Collective rather than individual language*

Narratives play a critical role in conveying the identities of firms and their entrepreneurs (O’Connor, 2002; Martens et al., 2007). Entrepreneurs use narratives, as a self-presentation mechanism, to describe who they are and construct themselves as leading characters (Martens et al., 2007). However, observing our narratives, we note that rather than creating an individual personal identity through narratives, entrepreneurs often create a collective identity. They build a community in which the audience is embedded, and the inclusive language they use to do so makes audience members part of a group as if they all belong to the same community. For example, the narrative of Catch a Cloud starts with “Dear Friends and music-lovers.” The entrepreneurs behind Iddio del Canto (a music band) say, “YOU! Our future co-producers!” to address their potential funders. The Stone Circle Auditorium project (an outdoors performance space) does not “ask [for] money” but prefers to ask people to “join this consciousness shift with your donation . . . we invite you to join us and help us to co-create this auditorium.” The fact that entrepreneurs create links between themselves, other project members, and crowdfunders is further illustrated by a quote from Serendipity in the Process of the Error (an art exhibit): “I AM, THEY ARE, WE ARE.” The Gift of a Generation project concludes with “We believe in what our Community can achieve!”

*k) One to many rather than one to one*

The relationship between entrepreneurs and banks or venture capitalists is often a one-to-one relationship. Here, we observe how entrepreneurs address audiences with multiple roles. An illustration of these multiple roles can be observed in the narrative of Zalem Delarbre (a music album): “The recording is planned for June, to begin the engraving of cds before the end of June, and allow you to listen to it in July ;-). Your support would help me a lot to produce this album, I’m counting on you!” This quote highlights how the traditional role of funders (as resource providers) can significantly overlap with other roles (e.g., customers of the product/service). The World Wide Haxe Conference project (a conference about open programming) is also very interesting in this respect. The entrepreneur clearly indicates how the project is being launched with multiple goals and thus addresses the audience with multiple messages: “We are doing this crowdfunding to generate interest in the event, expand communication, attract sponsors and raise some funds to cover the balance of the event’s costs which can’t be shouldered by Silex Labs alone.”

## 5. Discussion

While legitimacy is especially key for emerging firms, which are commonly found on crowdfunding platforms, there has only been limited research on legitimacy in crowdfunding. We seek to address this gap by asking the following research question: *how do entrepreneurs build new ventures’ legitimacy through narratives on crowdfunding platforms?* To address this question, we conducted content analysis of entrepreneurs’ narratives on a crowdfunding platform.

Our analysis of these crowdfunding narratives reveals that entrepreneurs do not construct legitimacy on crowdfunding platforms in the same way they do with traditional money providers. Our qualitative analysis suggests that crowdfunding narratives mix (1) traditional legitimacy components like affiliation, prizes and awards, historic background and experience, and competence with (2) novel components like distinctiveness, niche orientation, values, weaknesses, undefined goals, and craziness. In addition to these elements related to content, we also observe specific framing elements. Indeed, the narratives we analyzed are often characterized by an abstract, informal, intimate, and collective language style. Our work provides new perspectives on the types and framing of arguments that new venture founders use to communicate with funders that may affect others’ cognitive evaluations of their firms’ legitimacy.

This paper makes several contributions to the entrepreneurship literature. First, this study extends legitimacy to the field of crowdfunding and finds empirical support that in this context, entrepreneurs act differently than they do when they have to address traditional money providers (Taeuscher et al., 2020). Taeuscher et al. (2020) recently found evidence of the normatively legitimating



effect of narratives in crowdfunding. We complement this prior research by identifying the similar and distinctive components of such narratives (compared to the ones used to address traditional investors). This finding answers calls to question legitimacy in different audience contexts (Navis and Glynn, 2010; van Werven et al., 2015) and suggests that the constraints imposed by the legitimization process are different for entrepreneurs seeking funds on crowdfunding compared to those addressing traditional money providers. Specifically, this paper stresses the role played by entrepreneurs' values and weaknesses in the legitimization process in crowdfunding.

Our work also further enriches the narratives literature. This study offers rich qualitative data that illustrate how entrepreneurial narratives are constructed and provide empirical insights into the characteristics of entrepreneurs' narrative strategies by classifying some of the most used narrative patterns. While the data do not provide a clear picture of the relationship between these narrative features and entrepreneurs' success in gathering money, we identify that reward- and donation-based projects tend to go through a very specific legitimization process. Thus, our results provide new perspectives on how narratives can be used for legitimization. The specific characteristics identified in crowdfunding narratives open avenues for further empirical research.

Our study also contributes to crowdfunding theory by depicting how crowdfunding projects become legitimized through the sensegiving activities of entrepreneurs. We paid special attention to both the content and the framing of narratives and the way these elements serve as indicators of legitimacy. Focusing our attention on this legitimization process, we make one of the very first attempts to understand if there is a real interest in studying legitimization in crowdfunding and, if so, how entrepreneurs go through such a process (Soublière and Gehman, 2020, Tauscher et al., 2020).

Furthermore, our study contributes to the broader work on cultural entrepreneurship (Aldrich and Fiol, 1994; Lounsbury and Glynn, 2001), in which successful entrepreneurs are viewed as "skilled users of cultural tool kits" (Rao, 1994: 41). Our work suggests that in crowdfunding, legitimacy is constructed through a new form of capital, which we could refer to as adaptative communicative capital that opens up access to capital and market opportunities.

Finally, in terms of empirical design, by conducting an empirical study using content analysis, we moved beyond developing theoretical arguments and a framework and employed a specific method to better understand the processes of legitimacy development in crowdfunding.

## **6. Limitations and Potential for Future Research**

Our work has limitations that also suggest opportunities for future research. First, while we offer some preliminary thoughts on these matters, an empirical study to

test and validate whether entrepreneurs who use such narrative features are more successful at acquiring support than others would be valuable. In particular, publicly available data on the success of crowdfunding campaigns (e.g., amount acquired, number of days left before the end of a campaign, number of funders, etc.) could be matched with legitimacy-related narrative features to determine whether these features really lead to campaign success. Researchers' efforts to understand legitimacy might greatly benefit from such empirical research on the use and effectiveness of these novel legitimacy mechanisms.

Second, while we analyzed entrepreneurs' words in depth, we did not look at the link between narrative elements and funders' perceptions. Since the empirical investigation of legitimacy in crowdfunding is, like the phenomenon itself, in its formative stage, we feel this first exploratory phase was needed. We now need to further analyze the impact of these words on funders' evaluations of firms. Legitimacy is the result of both entrepreneurs' legitimization efforts and audiences' reactive evaluations of these efforts (Suchman, 1995). Therefore, this paper clearly only constitutes one step in a long journey to understand legitimacy in crowdfunding. Further analysis of funders' reactive evaluations of entrepreneurs' legitimacy is needed.

Third, we observed "abnormalities" in the way entrepreneurs build legitimacy in crowdfunding. Indeed, whereas legitimacy is generally constructed by demonstrating financial footing and a strong orientation towards profits, the narratives we analyzed instead reveal entrepreneurs' recognition of weaknesses and pursuit of their values. Such abnormalities are surprises that prompt and trigger further academic inquiry and explanations. We believe that an examination of these narratives in light of their impact on funders' perceptions needs to be pursued.

Fourth, our analysis was conducted on donation- and reward-based narratives, and our results are certainly linked to this context. The abnormalities that we observed begin to build an understanding of narratives specificities for donation- and reward-based platforms. Lending and equity-based narratives are probably more similar to traditional narratives since this mechanism is closer to traditional financing models, compared to donation and reward. This could also be examined empirically.

## **7. Practical Implications**

Our findings have implications for entrepreneurs. For entrepreneurs who use crowdfunding, our paper implies that they need to pay attention to legitimacy elements that are different from those considered effective in traditional money-seeking processes. Entrepreneurs should take the fact that crowdfunders have alternative motivations (compared to traditional money providers) into account in their legitimizing process via the narratives they develop.

Our findings also highlight that legitimacy has to be developed in accordance with audiences' expectations and that crowdfunding may not follow the same legitimacy rules as the traditional resource provider market. Understanding these basic elements, as well as the specific components of content and framing characterizing crowdfunding narratives, may reduce the risk of campaign failure.

## 8. Conclusion

This paper is one of the first to explore legitimacy development through crowdfunding platforms. This research highlights original narrative elements mobilized by entrepreneurs to develop legitimacy in order to gather financial resources. It shows that entrepreneurs in crowdfunding seem to follow a new set of narratives rules. Both in terms of content and in terms of framing, entrepreneurs provide different narratives in crowdfunding. Specifically, our analysis reveals that narratives in crowdfunding mix (1) traditional legitimacy components like *affiliation, prizes and awards, historic background and experience, and competence* with (2) novel components like *distinctiveness, niche orientation, values, weaknesses, undefined goals, and craziness*. In addition to these content elements, these narratives are also characterized by a specific framing—namely, an *abstract, informal, intimate, and collective style*. By presenting this set of surprising narrative components, we hope to stimulate further research on the dynamics of entrepreneurial legitimacy in crowdfunding.

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