Master's thesis

NTNU
Norwegian University of Science and Technology
Faculty of Economics and Management
Dept. of Industrial Economics and Technology Management

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How to attain your first customer

A multi-case study of building legitimacy towards a new venture's first customer

Master's thesis in NTNU School of Entrepreneurship
Supervisor: Karolina Lesniak and Lise Aaboen
June 2020

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NTNU SCHOOL *of*
ENTREPRENEURSHIP

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Kunnskap for en bedre verden

Abstract

Acquiring customers is critical for the survival of any new venture, and in order to acquire the first customer, new ventures must be perceived as legitimate. To achieve this, entrepreneurs can apply legitimacy mechanisms, which are actions they can take to change themselves or the environment they operate in in order to influence their audience's perception of their legitimacy. In this thesis, the authors have explored how legitimacy mechanisms are used by new ventures to build legitimacy towards their first customer, and how the customer perceives them. The study was carried out as a multi-case study where six new ventures and their first customer participated in semi-structured interviews. The analysis was conducted with a mechanism-based perspective based on the Gioia methodology and using a status model as a tool to understand the process.

Through our analysis, we have identified six aggregated dimensions of legitimacy mechanisms: building relationships, endorsements, impression management, network, personal background, and product deliverables. All dimensions were applied by the new ventures throughout the whole process, but the mechanisms were perceived differently by the customer depending on when in the process it was used. The findings indicate that the customers' legitimacy judgments change throughout the legitimation process. As a result, we have developed a process model of legitimation towards the first customer which illustrates the customer judgement throughout the process, and the mechanisms that were judged legitimating in each status.

Sammendrag

Anskaffelsen av en kunde, spesielt den første kunden, er avgjørende for overlevelsen til enhver oppstartsbedrift. Men, for at første salg skal bli gjennomført, er selskapet nødt til å bli ansett som legitim. Legitimitet kan oppnås gjennom bruk av legitimitetsmekanismer: handlinger med formål å endre seg selv eller miljøet de opererer i, som igjen vil påvirke mottakerens oppfatning av selskapets legitimitet. I denne masteroppgaven har forfatterne utforsket hvordan legitimitetsmekanismer er brukt av oppstartsselskaper for å bygge legitimitet mot sin første kunde, og hvordan kunden oppfattet disse mekanismene. Masteroppgaven er et fler-case studie hvor seks oppstartsselskaper og deres første kunde deltok i semistrukturerte intervju. Analysen ble gjennomført med et mekanismebasert perspektiv basert på Gioia-metoden, samt gjennom bruk av en statusmodell som verktøy for å forstå prosessen.

Gjennom vår analyse har vi identifisert seks aggregerte dimensjoner av legitimitetsmekanismer: bygging av personlige forhold, anbefalinger, inntrykkshåndtering, nettverk, personlig bakgrunn, og produktleveranser. Alle dimensjonene ble brukt av oppstartsselskapene gjennom hele prosessen, men mekanismene ble oppfattet ulikt av kundene avhengig av når i prosessen de ble brukt. Våre funn indikerer at kundens legitimitetsevalueringer endrer seg gjennom legitimeringsprosessen. Som følge av dette, har vi utviklet en prosessmodell for legitimering mot første kunde som illustrerer kundens legitimitetsvurdering gjennom prosessen, og hvilke mekanismer som ble sett på som legitimerende i hver status.

Preface

This master thesis was written during the spring semester of 2020 by Anne Moa, Jakob Nelvik and Thomas Hesselberg – who are master students at NTNU School of Entrepreneurship in Trondheim, Norway. The courses TIØ4530 and TIØ4535 were taken in the autumn of 2019 in preparation for the master thesis.

We would like to express our deepest gratitude to Karolina Lesniak whose comments and suggestions were of inestimable value for the study. We would also like to thank Prof. Lise Aaboen and Gry Folge, whose opinions and feedback have helped us very much throughout the production of this thesis.

Additionally, we would also like to thank the six new ventures and their customers who participated in this study. We greatly appreciate them taking the time to talk to us and share their experiences with us. This is especially true when considering the insecurity and stress many entrepreneurs felt as a result of the Covid-19 pandemic that threatened the survival of many new ventures.

Trondheim, 19th of June 2020

Anne Moa, Thomas Hesselberg and Jakob Johnsrud Nelvik

Table of contents

List of figures

List of tables

Abbreviations

AI	Artificial Intelligence
C#	Customer #
B2B	Business-to-business
IPO	Initial Public Offering
NTNU	Norwegian University of Science and Technology
NV	New Venture
NV#	New Venture #

1 Introduction

Acquiring customers is critical for the survival of any new venture (NV), and a central part of new venture development and success (Aaboen et al., 2011). It signals to others that it has been accepted (Karlsson and Middleton, 2015; Ruokolainen and Mäkelä, 2007), spreads information about the new venture to other potential customers (Kirmani and Rao, 2000) and ultimately gives the new venture access to resources. Failing to attain customers might be fatal for any new venture, and is regarded the primary reason why new ventures fail (Insights, 2019). As Wang et al. (2014) argue: acquiring a customer is the primary goal and a necessity for new venture survival.

In order to attain their first customer, new ventures must be perceived as legitimate (Fisher et al., 2016; Stinchcombe, 1965; Zimmerman and Zeitz, 2002). To achieve this, the venture must overcome the "liability of newness" (Stinchcombe, 1965), i.e., the idea that new ventures are regarded as "guilty until proven innocent". Fortunately, legitimacy serves as an antidote to the liability of newness (Stinchcombe, 1965; Fisher et al., 2016; Zimmerman and Zeitz, 2002), and entrepreneurs can work strategically in order to attain it (Fisher et al., 2016). Literature seems to accept the definition by Suchman (1995, p.574), which 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".

To acquire legitimacy, entrepreneurs should focus on "strategic legitimation": strategic choices to alter the type and amount of legitimacy the new venture possess (Zimmerman and Zeitz, 2002; Deeds et al., 1997; Suchman, 1995). There are several legitimation mechanisms to utilize, i.e., actions that entrepreneurs can adopt and utilize to change itself or its environment in order to be perceived as legitimate (Fisher et al., 2016; Zimmerman and Zeitz, 2002; Überbacher, 2014). By doing so, a new venture can acquire enough legitimacy to overcome the liability of newness. After having surpassed a "legitimacy threshold" (Zimmerman and Zeitz, 2002; Fisher et al., 2016), the venture is thought to be able to obtain needed resources, e.g., their first commercial sale (Zimmerman and Zeitz, 2002; Stinchcombe, 1965).

The extant legitimacy literature tends to focus on strategies and mechanisms of legitimation (Zimmerman and Zeitz, 2002; Fisher et al., 2017; Karlsson and Middleton, 2015; Kuratko et al., 2017), and the type of legitimacy which is acquired using them (Zimmerman and Zeitz, 2002; Karlsson and Middleton, 2015; Suchman, 1995). Little attention has been paid to how such strategies are used throughout the legitimation process. Despite some efforts (Tolbert and Zucker, 1999; Johnson et al., 2006; Tost, 2011; De Clercq and Voronov, 2011; Drori and Honig, 2013; Townsend and Hart, 2008), Laïfi and Josserand (2016) argue that the understanding of the new venture legitimation process is scarce and remains a complex problem within the field of legitimacy. This study will therefore respond to calls for a more process-oriented understanding of new venture legitimation (Barley, 2008; Drori and Honig, 2013; Garud et al., 2014; Überbacher, 2014; Voronov et al., 2013).

Our review has uncovered three shortcomings in the literature, which if addressed could significantly contribute to our understanding of the new venture legitimation process. First, an understanding of the variety of mechanisms applied by new ventures, and how these are evaluated by their audience, is absent in the literature. Existing research describing legitimacy mechanisms, e.g. (Garud et al., 2014; Cohen and Dean, 2005), including studies on mechanisms that successfully build legitimacy (Zott and Huy, 2007; Lounsbury and Glynn, 2001), have focused on individual mechanisms applied by the new ventures. However, no empirical studies have addressed the variety of the mechanisms used by new ventures and how these are evaluated by an audience.

Second, while we know about several mechanisms used by new ventures, we still do not know how these are applied and evaluated throughout the legitimation process. Existing literature on the legitimation process tends to focus on the result, i.e. what type of legitimacy is acquired in different stages of the process (Johnson et al., 2006; Laïfi and Josserand, 2016; Tolbert and Zucker, 1999), and not which specific mechanisms that actually are deemed legitimizing. As suggested by Drori et al. (2009), entrepreneurs may or may not know how to interact with an audience to acquire legitimacy – suggesting that many mechanisms are applied without the new venture knowing whether it builds legitimacy. However, no studies have addressed which mechanisms that should be applied at different stages, leaving us without fine-grained insight into the legitimation process.

Third, legitimation towards different audiences, especially customers, is absent in the literature. Existing research has primarily concentrated on legitimacy towards investors (Becker-Blease and Sohl, 2015; Fisher et al., 2016; Navis and Glynn, 2011; Plummer et al., 2016), while few scholars have paid attention to other audiences. Legitimacy research therefore rests on the assumption that new venture audiences share similar legitimacy judgments (Überbacher, 2014), and scholars have called for more research on how legitimacy judgments differ between audiences (Navis and Glynn, 2011; Van Werven et al., 2015; Überbacher, 2014). Despite this, only a few studies have so far addressed this call, and no empirical studies have addressed the process of legitimation towards customers.

In sum, extant legitimacy literature is mainly investor-focused, describes mechanisms separately and only describes the legitimation process by the legitimacy-types that are acquired. Based on these shortcomings, we seek to contribute by addressing how a variety of mechanisms are used and evaluated in a legitimation process towards customers.

1.1 Purpose of study

This thesis aims to fulfil the following purpose:

> "To explore how legitimacy is built towards a new venture's first customer"

By "*how legitimacy is built*", the authors refer to exploring the specific actions entrepreneurs employ in order to build legitimacy, i.e. the applied legitimacy mechanisms. Hereby, we aim to explore both the mechanisms which are used, and how their usage unfolds throughout a process. However, as the legitimacy judgement exists "in the eye of the beholder" (Zimmerman and Zeitz, 2002, p.416) – such as the customer (Aldrich, 1999; Deephouse, 1996; Dimaggio and Powell, 1983) – the audiences' evaluation of the applied mechanisms will also be investigated. The authors aspire to provide a better understanding of the legitimation process, both in terms of what the new venture is doing, but also with regards to what the customer perceives and appreciates.

By "*new venture's first customer*" the authors refer to the first commercial customer, i.e. first sale to their first paying customer, excluding pilot projects. The purpose therefore focuses on the early stages of a business relationship between a new venture and their first customer, from the customer becoming aware of the new venture until a sale is conducted. The process is of high interest about legitimacy building, as the new venture must overcome the "liability of newness" (Stinchcombe, 1965) for the sale to be realized.

1.2 Research questions

As the authors of this thesis aim to examine both what mechanisms are being used, and how these are perceived by the audience throughout the legitimation process, the purpose has been split into two research questions:

The first research question seeks to explore the specific actions entrepreneurs use in order to become legitimate, and the process during which the mechanisms are applied. By viewing legitimacy development as a process, we seek to answer how customers' reasoning towards the employed legitimacy mechanisms change throughout the new venture-customer relationship.

> **RQ1:** How are legitimacy mechanisms used by new ventures to build legitimacy towards their first customer?

The second research question seeks to evaluate the applied mechanisms, to understand whether the efforts of the entrepreneurs ultimately leads to a favourable legitimacy judgment or not.

> **RQ2:** What legitimacy mechanisms do customers deem legitimating?

Answering these research questions will bring a more profound understanding of what mechanisms new ventures use in order to reach their first sale and contribute with novel insights into the legitimation process. Second, by including the customers' reasoning, we aim to provide insights how this audience group evaluates and judge the various efforts made by the new venture. The research questions will together contribute to fulfilling the purpose.

1.3 Contributions

This thesis contributes to the literature on legitimacy as follows: first, it contributes by describing how mechanisms were used by new ventures to build legitimacy towards their first customer. By doing so, the authors display dissimilarities in what the new ventures and their customers deem legitimation. Second, with a basis in the customers' institutional logics, the thesis provides novel insights about how customers as an audience group change their perceptions, reasonings and judgments throughout the legitimation process. As such, the authors expand the understanding of how different mechanisms contribute to a positive legitimacy judgment by a specific audience that previously has been overlooked in the extant literature on legitimacy. Lastly, it responds to the calls for a more process-oriented approach by giving detailed insight into the legitimation process towards a new venture's first customer, and which legitimacy mechanisms the customer deems favourable throughout the different parts of the process.

1.4 Structure of the thesis

The introduction has emphasized the importance of obtaining legitimacy for new ventures within the context of acquiring customers and reaching the first sale. In chapter 2, the literature regarding new venture legitimation with associated definitions, logics and mechanisms is presented along with the conceptual framework used for analysing the data. The research methodology is described in chapter 3 and portrays how the authors proceeded to respond to the research questions proposed in this thesis. The authors chose to follow a qualitative, multiple case study approach interviewing both new ventures and their first customer. Chapter 4 includes a within-case analysis of the cases in this study, followed by a cross-case analysis showing how mechanisms were used to build legitimacy towards a new venture's first customer, and how the customer perceived them. Lastly, a discussion on the findings in the context of existing literature is carried out in chapter 5, before rounding up with a conclusion in chapter 6 including implications for new ventures and suggestions for further research.

2 Frame of reference

The following chapter is divided into two main sections: theoretical background and conceptual framework. The former will lay a theoretical foundation for this thesis, while the latter will connect and explain the authors' understanding of the theory into a framework that will be applied.

2.1 Theoretical background

The theoretical background is predominantly based on the legitimacy literature, however, literature from business-relationship development will also be used to better understand the legitimation process. First, various definitions of legitimacy will be presented, based upon central scholars' perspectives. Hereunder, legitimacy will be introduced as a process, before we elaborate on the topic of strategic legitimation with focus on legitimacy mechanisms as tools for attaining legitimacy. Second, we will describe how legitimacy is viewed by different audiences, including a more detailed description of customers as an audience. Lastly, due to the purpose of this thesis, we include models from the relationship-building literature to develop a framework for further examination for the legitimation process.

As will be described in the method chapter, we have used the method of analysis proposed by Gioia et al. (2013), which necessitates a return to the literature after the initial data analysis. The results of this secondary search will be presented under the headings of legitimacy mechanisms, where different types of mechanisms will be presented in-depth.

2.1.1 Organizational Legitimacy

To understand new venture legitimacy, it is important to understand the broader concept of organizational legitimacy. Suchman (1995) argues that two perspectives have dominated the perception of how new ventures become legitimate, namely strategic and institutional perspectives. Scholars arguing for the institutional perspective adopts the perspective of society looking in, and view legitimacy as a concept dependent on organizational abilities to conform with rules and norms of the surrounding environment (Meyer and Rowan, 1977; Dimaggio and Powell, 1983). Organizations are directed by external forces to conform to regulations, legal pressures or values and expectations in order to become institutionalized and obtain legitimacy (Meyer and Rowan, 1977; Aldrich, 1999; Deephouse, 1996). On the other hand, the strategic perspective emphasizes "the ways in which organizations instrumentally manipulate and deploy evocative symbols to garner societal support" (Suchman, 1995, p.572). In this view, legitimacy is a resource new ventures may acquire by implementing strategic actions (Zimmerman and Zeitz, 2002; Deeds et al., 1997; Stringfellow et al., 2014; Tornikoski and Newbert, 2007; Zott and Huy, 2007), and not merely a resource dependent on conforming to existing rules.

Based on their perspectives, a wide range of scholars have sought to define legitimacy. And although the difference between them is limited, they all contribute with individual aspects to the understanding of legitimacy. Based on the work by Parsons (1960), Dowling and Pfeffer (1975) advocates the institutional perspective and describes legitimacy as when there is coherence between how an entity acts and behaves with the expectations of the social system in which it operates. By adopting an audience-centred perspective, Dowling and Pfeffer (1975) argue that an entity is seen as legitimate if its actions and goals are perceived to be in conformance with the dominating norms in the social system it operates in.

Such conformance to social norms is also present in the definition of other legitimacy scholars as they describe it as the endorsement of an organization by social actors (Deephouse, 1996) or the acceptance of the organization by its environment (Kostova and Zaheer, 1999, p.64). Additionally, as many of these broad definitions are subject to some vagueness, Bitektine (2011) presents an enumerative definition of organizational legitimacy.

In addition to having one of the most referenced definitions within the field of the legitimacy, Suchman (1995) seeks to consolidate the two divergent perspectives and offers a broader understanding to the term legitimacy. By defining 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" Suchman (1995, p.574) portrays legitimacy as an overall evaluation, going beyond single events, but dependent on the past. Adopting a strategic approach, Suchman (1995) suggests that organizations can take actions enabling them to create the basis on which it can be provided legitimacy. Balancing between the two perspectives Zimmerman and Zeitz (2002, p.416) argue that legitimacy exist in the eye of the beholder, supporting the view of Suchman (1995) that the judgment is made by the stakeholders within the environment, suggesting that it is they who control the legitimation of organizations.

To fully understand legitimacy as a complex construct, it is necessary to capture both collective perceptions and individual judgments. An important aspect of the frequently used definition by Suchman (1995) is the term "generalized", as it reflects legitimacy as a collective level of approval (Johnson et al., 2006; Suchman, 1995). As such, legitimacy is often viewed as an objectified organizational resource based on a shared mindset (Golant and Sillince, 2007). Building on previous scholars (Berger et al., 1967; Tost, 2011), Bitektine and Haack (2015) argues that legitimacy, being socially constructed, remains an individual assessment. Analysing legitimacy judgments at various levels, Bitektine and Haack (2015) and Tost (2011) claim that individual evaluations function as the first step encompassing the common mindset leading to collective approval and legitimacy. In other words, it is the summation of individual judgements that forms the foundations of the shared institutional perception of legitimacy (Alexiou and Wiggins, 2019).

With a basis in Suchman (1995)'s definition of legitimacy, the authors seek to combine the diverging perspectives on legitimacy. By adopting a strategic perspective and analysing the legitimacy mechanisms used by new ventures, the authors supports the claims of Zimmerman and Zeitz (2002), arguing that legitimacy can be obtained through strategic actions by the new ventures. However, by incorporating the customers' responses to such mechanisms, acknowledging them as the legitimacy proprietor, the authors include an institutional perspective (Dimaggio and Powell, 1983). Suggesting that the customer conducts legitimacy judgments based upon the mechanisms employed by the new venture, the authors seek to explain how legitimacy mechanisms employed by the new venture is appreciated differently by the customer as the legitimation process progresses.

2.1.2 Legitimation process

Similar to the discussion on legitimacy perspectives, there exists contrasting opinions of whether legitimacy should be viewed as a property or a process (Tolbert and Zucker, 1999; Suddaby et al., 2017). Conceptualizing legitimacy as an object, the former alternative portrays legitimacy as an operational source that is fundamentally dichotomous, i.e. that an organization is either legitimate or illegitimate (Scott, 1995) depending upon their correspondence to environmental pressures and beliefs (Deephouse and Suchman, 2008). In contrast to viewing legitimacy as a static resource operating under stable conditions, several scholars have argued that the concept of legitimacy should be viewed as an ongoing process of social negotiation rather than an outcome of institutional pressures (Suddaby et al., 2017). Supporting this view, Tamm Hallström and Boström (2010, p.160) argue that legitimacy is consistently created, recreated and conquered, and not as a resource operating in an equilibrium state. Taking an audience perspective, Tost (2011) argues that legitimacy judgments are formed, used and reassessed in a cycle, and thereby develop and change over time based on each message the legitimacy evaluator receives.

Building on the strategic approach by Suchman (1995), Zimmerman and Zeitz (2002) argue that new ventures can initiate the legitimacy process, and launches the term legitimation, suggesting that ventures can take proactive steps to acquire legitimacy. By viewing the legitimation process as sequential, Zimmerman and Zeitz (2002) suggest that there exists a specific order for how new ventures should go about to acquire legitimacy. Building on this notion, several scholars have sought to understand the process of new venture legitimation by viewing it as a staged process following linear course (Tolbert and Zucker, 1999; Johnson et al., 2006; Bitektine and Haack, 2015). Contrasting this view, following an increasing number of studies conducted on the legitimacy process, scholars argue that the process of gaining legitimacy appears to be less linear than what was originally posited by Zimmerman and Zeitz (2002). Arguing that new ventures evolve in non-ideal conditions, Laïfi and Josserand (2016) view the legitimation process as both iterative and non-linear, providing novel insight into the new venture legitimation process.

As working towards the first sale is a process, the authors joins Tolbert and Zucker (1999), Johnson et al. (2006) and Bitektine and Haack (2015)'s view on legitimacy. Thereby, the authors have used a process perspective to understand how legitimacy is gradually built between new ventures and their first customer. The authors use the term legitimation for describing the process whereby the acceptability, desirability or appropriateness of a new venture increases over time (Deephouse and Suchman, 2008; Zimmerman and Zeitz, 2002; Suchman, 1995). Adopting a process-oriented approach enables the authors to focus on the dynamics of change (Suddaby et al., 2017), allowing the authors to investigate use of legitimacy mechanisms and the customer judgement of such mechanisms changes throughout the legitimation process.

2.1.3 Legitimacy mechanisms

Within the strategic perspective, the literature suggests two main categorizations for the actions new ventures might apply to build legitimacy: strategies and mechanisms. Building upon the work of Suchman (1995), Zimmerman and Zeitz (2002) propose four strategies, namely conformance, selection, manipulation and creation. However, the authors have chosen to focus on the use of legitimacy mechanisms, i.e. "things that an entrepreneur might *do* to enhance and manage the legitimacy of a new venture" (Fisher et al., 2017, p.53). Unlike the broad legitimacy strategies, mechanisms enable the authors to develop a fine-grained picture of the new venture legitimation, by looking at the specific actions they take in their pursuit to gain legitimacy. Doing so also enables the authors to create a nuanced picture of how the customer appreciates the various mechanisms employed throughout the legitimation process, and whether this changes over time.

The use of mechanisms is widely accepted in the literature, and in a review of 70 articles on new venture legitimation published between 1986 and 2015, Fisher et al. (2017) identified 13 different legitimation mechanisms. This included widely accepted mechanisms such as storytelling, e.g. (Aldrich and Fiol, 1994; Lounsbury and Glynn, 2001), forging ties, e.g. (Certo, 2003; Haveman et al., 2012; Higgins and Gulati, 2006; Stuart et al., 1999) and impression management e.g. (Clarke, 2011; Nagy et al., 2012; Pollack et al., 2012). We have included an overview of the mechanisms identified by Fisher et al. (2017) in appendix 1.

As a part of the Gioia et al. (2013) method of analysis, the authors have conducted a secondary literature search focused on legitimacy mechanisms. This is done as a part of the analysis, which is described in more depth in chapter 4 of this thesis. Elaborating on the literature about legitimacy mechanisms, the authors seek to create a frame of reference supporting the reader in understanding the authors' later presented findings, analysis and discussion. Divided by the aggregated categories we identified in our analysis, the following section revolves around the following aggregated dimensions of legitimacy mechanisms: building relationships, endorsements and network, impression management, personal background and product deliverables.

2.1.3.1 Building relationships

The role of social connections and relationships have been identified as an important source of legitimacy since Stinchcombe (1965) seminal article on legitimacy. Despite this, there has been relatively little focus on the role of building relationships and personal connection in legitimacy literature, even though researchers such as Starr and MacMillan (1990) have identified that friendship can be used to gain access to important resources.

Looking at the role of relationship-building in increasing legitimacy necessitates exploring how individuals forge ties, as opposed to how organizations build a relationship. This is in line with the arguments of Johnson et al. (2006), who claims that legitimacy is negotiated by the individuals' behaviours and perceptions. Since relationships are built on a personal level, it is closely tied to the characteristics and abilities of the founder. In example, both Aldrich and Fiol (1994) and Zott and Huy (2007) have explored how new ventures can use symbolic management to be perceived as legitimate and trustworthy towards their audiences. The role of trust is the basis for all well-functioning relationships (Aldrich and Fiol, 1994). Differentiating between economic and social transactions Starr and MacMillan (1990) argues that the latter engender feelings such as future personal obligations and trust, and that both individuals and organizations invest their time and energy in social transactions based on their expectations of future profits and rewards. Besides being an important lubricant to all thriving relationships, Aldrich and Fiol (1994) argues that trust is crucial for entrepreneurial success. Due to the absence of information, and their limited track-record, trust is considered to be a determiner in order for new ventures to appear credible to society, e.g. legitimate towards their customers (Aldrich and Fiol, 1994).

2.1.3.2 Endorsements and Networks

Because new ventures have little to show for during the early stages of their development, it can be valuable for them to attach themselves to more established and legitimate entities (Deeds et al., 1997). Zimmerman and Zeitz (2002) define endorsements as a positive assessment from one company to another, which is equal to vouching for someone. Thus, the endorsed piggybacks on the legitimacy of the endorser (Starr and MacMillan, 1990).

Baum and Oliver (1992) argue that connections to important institutions give new ventures access to resources and endorsements which reduces the likelihood of failure for new ventures. According to Stuart et al. (1999), limited information about new ventures is available to the audience, and the legitimacy judgment is therefore based on the new venture's connection's prestige. Endorsements remain such powerful signals of legitimacy because they cannot be bought nor attained using force (Becker-Blease and Sohl, 2015).

Like endorsements, several scholars have addressed networks as an important way for new ventures to acquire legitimacy (Oliver, 1990; Aldrich and Fiol, 1994; Deeds et al., 1997; Dowling and Pfeffer, 1975; Zimmerman and Zeitz, 2002). Besides facilitating access to other resources (Zhao and Aram, 1995), such networks provide the entrepreneur with much needed credibility in an nascent phase, supporting new venture in mitigating the "liability of newness" (Stinchcombe, 1965). Aldrich and Fiol (1994) presents networks as premises for interfirm relations to take place, suggesting it might contribute to legitimate both new ventures and industries as they collaborate in institutionalizing their actions. Building on this Deeds et al. (1997) emphasise the role of networks as a way being identified with established actors, thus contributing to legitimate new ventures. Despite being an intangible asset result acquired as a result of social connections, Fisher et al. (2017) and Zimmerman and Zeitz (2002) argues that networks should be viewed as a strategic resource that new ventures can benefit from in their pursuit for legitimacy.

2.1.3.3 Impression management

Scholars argue that entrepreneurs and new ventures can use impression management techniques to present themselves in a favourable light, increasing their likelihood of gaining legitimacy from important audiences in the early stages of their new venture (Nagy et al., 2012; Clarke, 2011; Pollack et al., 2012; Bansal and Clelland, 2004; Parhankangas and Ehrlich, 2014). Impression management includes a host of different behaviours and actions an entrepreneur can adopt to influence stakeholders. Bolino et al. (2008) identified 31 specific actions used for impression management, including tactics such as intimidation, ingratiation and self-promotion. Other scholars suggest that impression management may be used to favourably portray their credentials (Nagy et al., 2012), or tell a compelling story to draw attention to the new venture (Lounsbury and Glynn, 2001). Adding to this Pollack et al. (2012) argue that avoiding taking actions also might function as an impression management mechanism, suggesting withholding of information may lead stakeholder to a desired conclusion, or impression. Entrepreneurs can also use impression management to distance themselves from previous entrepreneurial failures, by emphasizing factors that were not under their control (Kibler et al., 2017). However, Kibler et al. (2017) also found that the audience's interpretation of these impression management mechanisms is dependent on their level of self-efficacy and dispositional agreeableness. This indicates that their audiences' personal traits may influence how impression management mechanisms are perceived, and whether they have any impact.

2.1.3.4 Personal background

According to Packalen (2007), due to the new venture's limited track record in the beginning, it is often the background and traits of the founder that leads to venture legitimacy. The focus is often placed on characteristics such as entrepreneurial background, previous managerial experience and industry experience, and research suggests that the more of these the entrepreneur has, the more legitimacy the new venture has from the beginning (Packalen, 2007; McKnight and Zietsma, 2018). The reason why these traits appear to have such an impact on legitimacy is because the audience see them as signals that the founder's adherence to industry norms and expectations (Nagy et al., 2012).

Although the existing studies have mainly focused on investors as the audience, empirical studies have found that there is a connection between the level of experience of the founding team and the new venture's perceived success. For instance, Hall and Hofer (1993) found that investors believe previous industry experience to be the most important predictor of a new venture's success in the future. According to Carpentier and Suret (2015), the likelihood of having one's proposals rejected by angel investors was much higher for inexperienced entrepreneurs than experienced ones. This may not be without cause – studies find that the background of the top management team of a new venture is linked with firm value during an initial public offering (IPO) (Cohen and Dean, 2005).

However, Haveman et al. (2012) argues that the importance of an entrepreneur's characteristics decreases as the industry becomes consolidated. This is because the audience lacks mental schemes to evaluate new industries' or technologies' legitimacy (Carroll and Hannan, 1989). If this holds true, one may expect to find that the importance of the entrepreneurs' background will vary depending on the maturity of the industries in our sample.

2.1.3.5 Product deliverables

Several researchers have explored the topic of reaching internal milestones to increase their legitimacy. Dimaggio and Powell (1983) argues that legitimacy is gained through reaching specific levels of performance, although this is often related to organizational structure more than product or service performance. Internal milestones or structure is a legitimacy category identified by Fisher et al. (2017) as a part of organizational mechanisms. The current research has looked at different ways of using milestones to gain legitimacy: for example through the use of business models (Delmar and Shane, 2004; Karlsson and Honig, 2009), through making business plans (Barraket et al., 2016) or by communicating to important audiences that they have reached their milestones (Steier and Greenwood, 1995).

However, merely talking about a milestone is not necessarily enough to gain legitimacy – the new venture must also be able to reach it. Literature suggests that new ventures face the challenge of both capturing their audiences' interest by presenting their visions for the future, but also being able to deliver on the promises that they have made or risk losing legitimacy (Garud et al., 2014). Reaching specific milestones have been found to have a legitimating effect by increasing the new venture's access to financial resources: Pahnke et al. (2015) found that reaching milestones connected to prototypes and product proofs increases the likelihood of obtaining financial support early in a new venture's development.

2.1.4 Legitimacy towards different audiences

In order to acquire resources and survive their nascent phase, new ventures are dependent on acquiring legitimacy from various stakeholders in their environment (Zimmerman and

Zeitz, 2002; Bitektine, 2011; Tornikoski and Newbert, 2007; Nagy et al., 2012; Starr and MacMillan, 1990). As previously mentioned, institutional scholars view the audience as in control of this process, ultimately bestowing legitimacy to ventures they deem desirable, proper, or appropriate (Suchman, 1995). However, as what is regarded to be desirable, proper, or appropriate is a matter of interpretation, Überbacher (2014) criticizes such scholars for treating different audiences, e.g. customers, investors and suppliers, as one entity despite having contrasting judgements regarding what makes a new venture legitimate or not. Responding to this critique Fisher et al. (2017) show how different investor types, despite having somewhat similar interests, provide divergent legitimacy judgments towards new ventures. Supporting this claim, an empirical study of the digital publishing industry found that audiences make different judgments based on their interests (Laïfi and Josserand, 2016).

2.1.4.1 Legitimacy towards customers

Despite the increasing attention on how legitimacy judgments differ depending on the audience, one still finds that much of the existing literature mainly examine legitimacy building towards investors (Becker-Blease and Sohl, 2015; Fisher et al., 2017; Navis and Glynn, 2011; Plummer et al., 2016; Zimmerman and Zeitz, 2002). Although investments play an important role for new ventures, being able to secure the first customer is paramount for the survival of the new venture in the long term. Customers may act as a form of signal to others about the new venture's good reputation, thereby making other potential customers aware of the NV's offering (Wang et al., 2017). It may also increase the likelihood of repurchase from existing customers and that information about the company (Kirmani and Rao, 2000). Khaire (2010) finds that the value of early stage customers relies upon their status and quality, as they identified that for every high-status customer gotten by a new venture in their study, the revenue increased by 7 %. This indicates that new ventures ought to obtain early customers with high statuses in order to acquire more legitimacy in the beginning phase.

The idea that new ventures' audiences are diverse is getting more attention in legitimacy literature. Just as a new venture's needs and audiences change throughout the new venture's development, so do the legitimacy judgments of the different audiences (Fisher et al., 2017). As previously mentioned, Laïfi and Josserand (2016) found that different audiences make different legitimacy judgments depending on their interests. Different audiences therefore judge legitimacy differently because they operate with contrasting institutional logics (Fisher et al., 2017; Kraatz and Block, 2008; Thornton et al., 2012). According to Thornton and Ocasio (1999, p.804), institutional logics are defined as "socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality". According to Fisher et al. (2017), one will find many different institutional logics by examining different types of investors, which in turn impact the legitimacy judgments by audiences in a multitude of ways. Taking this into account, it is reasonable to argue that one will find similar results when exploring how customers reason around the various legitimacy mechanisms employed by new ventures. It might therefore be highly important for new ventures to make strategies that are individually tailored to their audiences.

2.1.5 Status model

As mentioned in the introduction, the authors have included relationship-building literature as means to understand the process of how business relationships progress from initial contact to first sale. Thus, to understand how relationships between new ventures and customers are formed, insight is needed on the literature on business-relationship development. Several models have been developed to understand this process, consisting of multiple stages, states or phases (Aaboen and Aarikka-Stenroos, 2017).

The earliest models, e.g. (Dwyer et al., 1987; Ford, 1980), used stages to describe the relationship-development. Those models suggested a linear movement, where the relationships progress through all stages in an irreversible manner. More recent models, such as the state and status models, suggest a nonlinear movement, where the relationship may progress in multiple directions, e.g. (Batonda and Perry, 2003; Edvardsson et al., 2008). Both state and status models are fairly similar, but the former focuses on the state of the relationship whereas the latter refers to the status the seller has at a given time.

Unlike both the stage and state models (Batonda and Perry, 2003; Ford, 1980), the status model by Edvardsson et al. (2008) has exclusive focus on the relationship initiation process, i.e. the timespan from before the relationship starts until first agreement. In addition, the model is the only one with a tripartite split of the relationship initiation process, ultimately making the model the most fine-grained in describing the given timeframe. As stated in the purpose of this thesis, we explore the time until first agreement, and the status model has therefore been found to be the most appropriate. As such, the authors differ from other process-oriented studies within the field of legitimacy, as they often view the legitimation process through sequential stage models, often with extensive time horizons (Tolbert and Zucker, 1999; Johnson et al., 2006; Greenwood et al., 2002)

The status model has three key concepts: status, converters and inhibitors (see figure 2.1) (Edvardsson et al., 2008). Edvardsson et al. (2008) labels the three statuses unrecognized, recognized and considered – which reflect the seller's position in the process seen from the buyer's perspective. The first status consists of everything happening before the buyer starts to recognize a seller for a relationship. The second status begins when the buyer starts to recognize a seller for a relationship. The third status begins when the buyer starts to consider a seller for a relationship. Finally, there is an agreement/relationship, e.g. first sale.

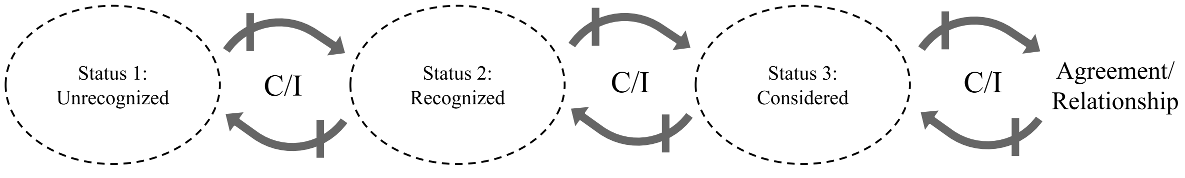

Figure 2.1: The relationship initiation process model by Edvardsson et al. (2008)

According to Edvardsson et al. (2008), the relationship may progress in both directions, either forwards or backwards. The movement is caused or prevented by converters and inhibitors (C/I), which are equally significant elements as status. Converters, illustrated by arrows, work to either advance or reverse the process between statuses. Inhibitors, illustrated by lines across the arrows, work to dampen or hinder both the forward and backward movement.

2.2 Conceptual framework

The conceptual framework connects the theory presented above by looking at how the authors' understanding of concepts such as legitimacy, legitimation process, relationship building, mechanisms and audience judgement relate to legitimacy development in a new venture-first customer relationship. The status model will be used as an analytical tool to understand how the different legitimacy mechanisms were used to progress the relationship. Using the framework will aid the answers to research questions on how a new venture's use of mechanisms towards their first customer relate to the legitimacy development.

In addition to supporting the purpose of this thesis by focusing on the timespan from before the relationship starts until first agreement, the status model by Edvardsson et al. (2008) is well fitted to understand the legitimacy-development. Like the legitimacy definition by Suchman (1995), the status model enables the authors to balance between the strategic and institutional perspective. Supporting the strategic scholars (Zimmerman and Zeitz, 2002, , {Fisher, 2017 #454; Fisher et al., 2017), the authors view new ventures as capable of taking actions in order to become legitimate. However, like what Edvardsson et al. (2008) suggests in his status model, the authors hold an institutional perspective and view the customers as the legitimacy proprietor. Thereby, the status of the process exists in the eye of the beholder, and only the customer can bestow legitimacy upon the new venture and progress the legitimation process when they appreciated the mechanisms employed.

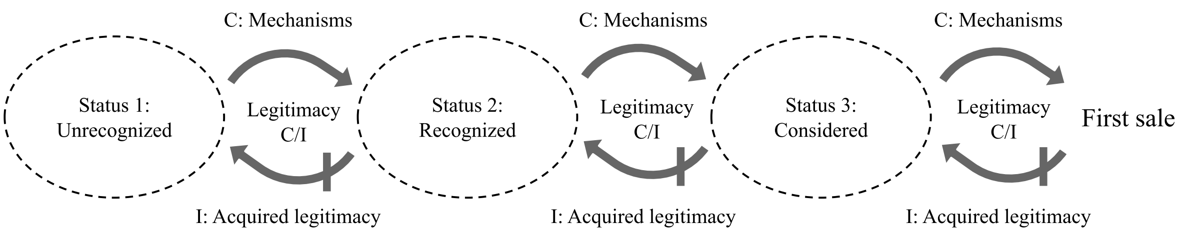

Figure 2.2: The relationship initiation process model with legitimacy mechanisms as converters (C) and acquired legitimacy as inhibitor (I)

By reaching an agreement, e.g. attaining the first paying customer, the new ventures may have reached a sufficient level of legitimacy (Wang et al., 2014). A new venture is legitimate when their applied mechanisms are deemed desirable, proper, or appropriate in the eyes of the customer (Suchman, 1995, p.574). Implementing a process perspective, the authors do not view legitimacy as a dichotomous concept, but consider it to be an ongoing process moving between the statuses presented above (Suddaby et al., 2017). Like Laïfi and Josserand (2016), the authors view the legitimacy process as non-linear. By doing so, incorporating the ideas of Edvardsson et al. (2008), the authors suggest that legitimacy might work as a converter between statuses, working to advance the relationship to the higher status. In addition, legitimacy might work as an inhibitor of the losing of status: the acquired legitimacy will dampen or hinder the relationship from going backwards. First sale is reached when the customer appreciates the various mechanisms employed by the new venture, thereby deeming it to be legitimate.

3 Research Methodology

The study was carried out as a multiple-case study, where six new ventures and their first customer (referred to as "cases") were interviewed. In addition, secondary sources of data were included, such as presentation material, newspaper articles, emails and so forth. This chapter will present and discuss the methodological choices for this thesis: research design, case and informant selection, data sources and analysis.

3.1 Research design

For this study, a qualitative research method has been chosen, instead of a quantitative method. We wish to explore how legitimacy is built throughout the legitimation process, and qualitative research methods are well suited for exploring experiences and perceptions of individuals (Matthews, 2010). Additionally, Tjora (2010) argues that quantitative research methods often are strongly influenced by theories and existing literature in guiding the research design. Since this study answers a call for more process-focused research on legitimacy due to a gap existing in the literature (Barley, 2008; Drori and Honig, 2013; Garud et al., 2014; Überbacher, 2014; Voronov et al., 2013), it might be challenging to make testable hypotheses based on prior research. This is especially salient in this study, because no empirical studies have attempted to map out the variety of mechanisms that are applied throughout the legitimation process. A quantitative research method might therefore be highly difficult to use on this topic, while a qualitative method might lay an important foundation for future research on legitimation processes.

Furthermore, because we seek to understand a phenomenon where there exists limited information, it is necessary with an exploratory approach for this thesis (Matthews, 2010). The first research question, RQ1, is therefore exploratory in nature. Additionally, to further investigate the depth of the exploratory question, the second research question, RQ2, is evaluative. Such research questions seek to determine the effectiveness of a phenomenon or action (Matthews, 2010), which in this case are the customer's reaction to the mechanisms investigated in RQ1.

To answer both the exploratory and evaluative research questions, a multiple case study was chosen as the appropriate research design for this study. According to Yin (2017), case studies are appropriate research designs when answering questions of "how" – such as the exploratory question in this study. Furthermore, this study set out to understand the process of legitimation, and case studies enables us to understand such complex situations through meaningful characteristics of real-life incidents (Yin, 2017). Also, by studying several cases, we wanted to reveal the overarching themes of the legitimation process. Multiple cases usually lead to more nuances and contrasts than single-cases, and may lead to more accurate and generalizable results (Eisenhardt and Graebner, 2007; Langley et al., 2013). Lastly, the use of multiple case design has also been recommended in existing literature on both legitimation process (Voronov et al., 2013) and strategic legitimation (Clarke, 2011; Ruebottom, 2013; Zott and Huy, 2007).

3.2 Case selection

3.2.1 Criteria

In order to explore legitimacy-building between new ventures and their customers, it was natural to use purposive sampling, where the informants are chosen deliberately due to specific characteristics in order to explore the research questions (Matthews, 2010). The method comprises a list of criteria set prior to recruiting informants, and is commonly used for qualitative, in-depth studies where the researcher is interested in the interviewee's experiences and perceptions (Matthews, 2010). The criteria were chosen to ensure great insight into each case, and that the "liability of newness" was present (Stinchcombe, 1965). All criteria were set based on the characteristics of the new venture.

The participants must:

1) be a new venture,
2) be selling business-to-business (B2B),
3) have acquired its first paying customer,
4) be willing to let us interview their first customer
5) be a software venture working with AI or machine learning,
6) have acquired their first customer within the last 12 months.

Criteria 1) was chosen because unlike established companies, new ventures have managed to attain little or no legitimacy when approaching a customer. Thus, it is especially interesting to see how a new venture, which is subjected to the liability of newness (Stinchcombe, 1965), can convince a customer to purchase from them.

Criteria 2) was selected because it would be easier to identify and interview the first customer of companies selling B2B as opposed to those selling business-to-consumer (B2C), as the latter generally have a larger volume of customers. Additionally, it is reasonable to assume that corporate customers face higher risks than consumers when purchasing a product due to the scope and price of such contracts, and the legitimacy demands might therefore be higher for the sale to be conducted.

Criteria 3) was chosen to establish a proxy for legitimacy. A challenge when studying legitimacy is that "legitimacy is not directly observable. It ultimately resides within the psyches of social actors, who may or may not be reflectively aware of legitimacy's role in their thinking and decision making" (Zimmerman and Zeitz, 2002, p.418). Legitimacy is therefore often measured using a proxy proving the company is legitimate (Suddaby et al., 2017), e.g. having acquired its first paying customer. The authors could thereby be certain that legitimacy had been obtained. Furthermore, we chose to exclude pilot projects, even if they were paid. During a preliminary study, we found two disadvantages with pilot projects: first, it varied a lot how far they had gotten with their venture, as it was possible to get a pilot based solely on a good business idea. As a result, we believed we would get less valuable information from such companies. Second, we found that pilot projects had much less risk than buying a finished product or a service, because the purchasing company seldom commits to anything long-term. As such, we believed the legitimacy demands to get a pilot project was too low.

Criteria 4) was chosen because we wanted both the new ventures and their customers as informants. As legitimacy is an interplay between the strategic actions of the new venture, and the legitimacy judgment of the customer, we believed interviewing both sides would result in the best overview of the process and reveal potential differences in both mechanisms and their importance.

Criteria 5) was chosen to get comparable data across cases, and because the newness of the industry would ensure a higher demand for legitimacy. Criteria 6) was chosen because the knowledge and information about this process would be fresh in the informants' minds: the more recent the sale was, the better it was for recollection.

Unfortunately, recruiting informants proved to be more difficult than initially thought. Many of the ventures we approached did not want us to interview their customers because of the sensitive nature of the customer relationship. Furthermore, the financial ramifications from COVID-19 hit many new ventures hard, resulting in interviewees pulling out of our study because they had to focus on saving their company. Therefore, we had to remove criteria (5) and modify (6), meaning that the earliest sale happened in October 2017, and the most recent was conducted in May 2019. If we had stuck to these two criteria, we would not have enough participants in our study.

3.2.2 Case firms

In order to recruit new ventures, a broad range of Norwegian accelerator programs and coworking spaces were contacted, as well as several firms found in newspapers and the alumni network of NTNU School of Entrepreneurship. Even though we had to broaden our criteria, we ended up with six cases with similar characteristics. All new ventures came from Norway, were less than 7 years old, delivered a high-tech product and operated in well-established industries. The new ventures were discovered in an online newspaper, through contacts in T:lab and in the alumni network of NTNU School of Entrepreneurship. A brief description of all our case companies and their customers are presented in table 3.1.

Table 3.1: Descriptions of new ventures and their customers. Descriptions are based on the company at the time of interview, provided by the informants, and does not represent what they looked like when the commercial sale was conducted.

Case	Description of new venture	Description of customer
1	Scaleup founded in 2015, delivering a combined hardware and software solution for the aquaculture industry. The idea came from a problem observed by the founder in a previous new venture. The venture has 8 full-time employees, and 4-5 consultants.	Large Norwegian company in the aquaculture industry. It has 1700 employees, and its headquarters are located in Mid-Norway. The company has previous experience working with new ventures.
2	New venture founded in 2013, delivering hardware solutions to ski resorts. The idea came from a problem experienced by one of the founders, and the company was founded as a result of a business plan assignment in a university course. The venture has two full-time employees.	Large ski resort in Norway. Daughter-company of a resort-chain with main operations in Scandinavia. In addition to running the resort, the company is involved with restaurants, hotels, ski rentals and so forth. The company has an annual turnover of about 750 million NOK. The company does not have a tradition for working with new ventures.
3	Scaleup founded in 2017, delivering a software solution for the financial industry. The idea came from a problem observed by the founder in previous jobs in the industry. The venture has eight full-time employees	Large landowner in Norway. The company has just over 100 employees in 15 offices around Norway. The company does not have a tradition for working with new ventures.

4	Scaleup founded in 2016, delivering a combined hardware and software solution for the electricity industry. The idea came from an observed opportunity during market research for another idea. The venture has four full-time employees and two part-time employees	A daughter-company of one of Europe's largest research institutes. The institute delivers research on commission for the industry and other actors, and has an annual revenue of 3,2 billion NOK. It has a total of 2000 employees.
5	Scaleup founded in 2016, delivering consumer electronics for the camera industry, selling their product through third party distributors and the company website. The idea came from a concept sketch from one of the founders. The venture has 9 full-time employees.	Large photo specialty and consumer electronics retailer with a national and global reach located at the east coast of USA. Products are distributed directly through their own website, as well as Amazon and other similar marketplaces in the US. The company has annual revenue of about 45 million USD.
6	New venture founded in 2018, delivering a software solution to real estate companies. The idea came from a problem presented by one of the founding companies, and the solution was developed by three young, inexperienced entrepreneurs in collaboration with industry experts.	Family-owned company from a smaller city in Northern Norway. Their main operations are within construction, but 20-25% of its turnover comes from real estate. The company rents out 12 commercial properties, reaching a yearly revenue of 14 million NOK.

3.3 Informant selection criteria

Like the case selection, informants were selected based on a small set of criteria. For the new venture, we wanted to talk to the person involved in the sales process: preferably the CEO or CMO. During the preliminary study, CTOs were also used as informants, but we found they were seldomly involved in the sales process and thus had less relevant information to impart. For the customers, we also wanted to talk to a contact directly involved in the sales process, as they were subject to the new ventures' legitimation attempts. The informants were identified through referral from the entrepreneurs, which in all cases connected us with their most important customer contact.

Table 3.2 shows an overview of the entrepreneurs' background from before they started their new venture. Previous entrepreneurship experience refers to whether the founder has either started a company themselves or worked in a new venture. Previous industry experience includes experience from the sector they have started their new venture in, either through previous work experience, new venture experience or voluntary work. Relevant work experience refers to work that has given the founder skills or knowledge that is of use to them in their current new venture.

Table 3.2: Overview of founders' backgrounds

	Case 1	**Case 2**	**Case 3**	**Case 4**	**Case 5**	**Case 6**
Previous startup experience	Yes	No	No	No	No	Yes
Previous industry experience	Yes	No	Yes	No	No	No
Relevant work experience	Yes	No	Yes	No	Yes	Yes
Student when founding the new venture	No	Yes	No	Yes	Yes	Yes

3.4 Data sources

Empirical data was collected from two sources: Semi-structured interviews with the NVs and their first customer, and written material such as blog entries, newspaper articles and PowerPoint presentations. Interviewing both sides of the relation, as well as using multiple data-sources, enabled us to check the data from the other sources, resulting in triangulation (Matthews, 2010).

3.4.1 Semi-structured interviews

The primary data-source was obtained through semi-structured interviews. Such interviews are more structured than open interviews in the sense that the interviewer uses a set of common questions across interviews, which allows the researcher to get comparable data (Matthews, 2010). Because the authors were interested in exploring how different legitimacy mechanisms were used to build legitimacy towards a new venture's first customer, and how the customer reacted to them, we found it necessary to have some structure in the interviews in order to attain data that was comparable across cases. Using semi-structured interviews allowed us to follow a more standardised structure than open interviews, while also remaining open enough to capture elements of the interviewee's experience that were not necessarily included in our questions. Semi-structured interviews often resemble conversations, because of their open-ended questions and unstructured nature (Yin, 2017). It also allows the interviewee to be more actively involved in the interview, and thereby pursue topics of interest (Matthews, 2010), e.g. asking follow-up questions if the interviewee mentioned something of particular interest.

Table 3.3 shows an overview of how each semi-structured interview was conducted, and includes information about the date of the interview, whether it was conducted face-to-face, by telephone or video meeting, and length. In all except case 5, the new venture interviews were conducted first – enabling the interviewee to ask the customers about insight gathered from the new ventures. Due to the outbreak of COVID-19, most of the interviews were conducted by telephone or video meeting. The interviews lasted from 35 minutes to 1 hour and 35 minutes in length.

Table 3.3: Overview of how the semi-structured interviews were conducted

Case	Date	Informant	Type	Length
1	27.02.20	New venture CEO	Face-to-face	1 hour and 6 minutes
	23.03.20	Customer representative	Video meeting	1 hour
2	03.03.20	New venture CEO	Telephone	1 hour and 10 minutes
	25.03.20	Customer representative	Video meeting	56 minutes
3	17.03.20	New venture CEO	Video meeting	1 hour and 32 minutes

	18.03.20	Customer representative	Telephone	43 minutes
4	15.03.20	New venture CEO	Video meeting	1 hour and 16 minutes
	30.03.20	Customer representative	Video meeting	1 hour and 15 minutes
5	24.03.20	New venture CMO	Video meeting	54 minutes
	19.03.20	Customer representative	Video meeting	35 minutes
6	19.03.20	New venture CEO	Video meeting	1 hour and 4 minutes
	01.04.20	Customer representative	Video meeting	56 minutes

3.4.1.1 Conducting the interviews

An interview guide is beneficial when conducting a semi-structured interview (Matthews, 2010). Thus, two partly similar interview-guides were created prior to the interviews: both for the NVs and customers (see appendix 2 & 3). By following the principles outlined by Matthews (2010), the guide contained overarching themes, as well as specific questions the interview was to cover – meant to act as an agenda for the interview. The questions were asked in order to gain an understanding of the legitimation process as experienced by the two sides of the relationship. The goal was also to explore when, how and why different mechanisms were used, and to try to understand which mechanisms the new venture believed were legitimating, and which mechanisms the customer had appreciated and why.

The interviews started with information about the project, the informants' right to anonymity and to withdraw from the study, and how the data would be handled (see appendix 2 and 3 for more details). When in person, the informant was given a consent form (appendix 4) to sign, and on telephone/video meetings, the informants were asked to state their name, the date and that they consented to participate in our research. All informants gave their consent.

The new venture interview started with simple introductory questions about the informant's background, the new venture, and the team – meant to warm up the informants and help them settle in. Then, questions were asked in accordance with interview guide (appendix 2). For the interviews with the new ventures, the following topics were covered: establishing a timeline from new venture idea to first sale, use of legitimacy towards customer, the industry, resources and relationships. Follow-up questions on the influence and importance of the mechanisms were also asked. Then we closed the interview, and the informant was asked if they had anything more they wanted to add, or if there was something they would like to clear up or change.

The customer interviews started with warm-up questions about the informant's previous work experiences and their role at the customer company (see appendix 3 for interview guide). Afterwards, the following topics were covered: the company's purchasing process, establishing a timeline of when they first came in contact with the new venture until first purchase, the new venture's use of legitimacy mechanisms, the new venture's experience, and the new venture's relationships. Follow-up questions on the influence and importance of the mechanisms were also asked. They were also given the opportunity to make final remarks during the closing of the interview.

Conducting the interviews on video as opposed to face-to-face had some unpredicted benefits. One example is that if the interviewee was unsure of when some events had happened, they would often go into their calendar or email inboxes to check, which gave us more exact dates. In some instances, they would also read email excerpts aloud from their early correspondence. This happened both with new ventures and customers. This gave us input that it is unlikely that we would have gotten had these interviews been conducted face-to-face.

3.4.2 Secondary data

During the interviews, the informants mentioned several information sources important in their legitimacy-building, e.g. PowerPoint presentations, newspaper articles etc. The authors, therefore, found it appropriate to ask for and include several secondary data sources. Including these provided a deeper understanding of the legitimacy-building, in addition to enable a strengthened triangulation of the data. However, data from the secondary sources were only included in the presented findings of two cases (case 3 & 5).

Table 3.4 shows an overview of all the secondary data sources that have been used in this thesis. This includes 3 PowerPoint presentations used towards first customers, 2 company websites, 2 newspaper articles, 2 email correspondences, a Kickstarter Campaign, and a company blog entry.

Table 3.4: Overview of secondary data sources

Case	Type
1	Company website
2	PowerPoint presentations used towards first customer
	Email correspondence
3	Newspaper article
	Blog on company website
4	Company website
	Newspaper article
5	Kickstarter campaign (web page with text and video)
	Email correspondence
6	PowerPoint presentation used towards first customer

3.5 Analysis

All the interviews were recorded and transcribed verbatim, as recommended by Matthews (2010). After transcription, the interviews were uploaded to the software NVivo, where the coding and analysis of the data was conducted.

3.5.1 Single-case coding and analysis

In order to achieve a rigid analysis of the collected data while still retaining the exploratory approach of this thesis, the authors have used coding principles from the *Gioia Methodology* (Gioia et al., 2013). This analytical method was chosen because it remains grounded to the data throughout the analysis, and the analysis would thereby be somewhat uninfluenced by extant literature. This is especially beneficial when exploring the legitimation process towards customers, because the extant legitimacy literature mainly focuses on investors – which operates according to a different institutional logic (Thornton et al., 2012).

To structure the data, first order codes were established based on legitimacy mechanisms found in the data (Gioia et al., 2013). To gain a better understanding of a new venture's legitimation process from beginning to end, we applied a mechanism-based perspective in the analysis, where we focused on the legitimacy mechanisms, i.e. the actions entrepreneurs take to influence their customer's perception of them or their environment in order to build legitimacy. Unlike legitimacy strategies, mechanisms give a more fine-grained understanding of the specific efforts an entrepreneur makes to gain legitimacy, and it allows us to see how their efforts and their customer's perceptions change over time.

Each author coded the interviews in separate documents, before comparing the results and discussing amongst ourselves. This was done to secure a common understanding within the group and avoid "missing out" any relevant first order codes. To maintain an open mindset and prevent first order coding from one side affecting the other, the authors coded each data source, i.e. the new venture and their customer, separately. This enabled the authors to avoid trying to force the data into boxes they did not belong to. Then, all authors collaborated to find any similarities, and resolve any differences between the first order codes.

When all 1st order coding was fulfilled, each coded mechanism was given a number according to the status in which they belonged, based on Edvardsson et al. (2008). The status was discovered through the timeline established during the interviews, and follow-up questions on when the mechanisms were applied. Furthermore, they were given an importance-rating based on how often it was mentioned and how important the informant regarded it in the legitimacy-building: high, medium or low.

Coding name	Status	Importance
Ask the customer for help	3	High

Figure 3.1: Example of first order code

The second step was to distill the first order codes into second-order themes using axial coding principles of (Strauss and Corbin, 1998; Gioia et al., 2013). As recommended by

Van Maanen et al. (2007), this step also included returning to the existing literature on legitimacy and allowing it to influence the coding deductively. To uphold a mechanism-based perspective, the distillation into second order codes happened with focus on mechanisms rather than process or importance. As a result, when we returned to the literature, we concentrated on articles that furthered our knowledge about mechanisms.

The third step was to further condense the second order codes into aggregated dimensions. After grouping similar second-order themes together, a set of aggregated dimensions emerged that functioned as overarching descriptions of the legitimacy mechanisms.

The final step was to merge the data from the new venture interview, customer interview and secondary data into one structured data table. Hereunder, overlapping first order codes, second order themes and aggregated dimensions were merged, creating one unified data-structure for each case (see appendix 5).

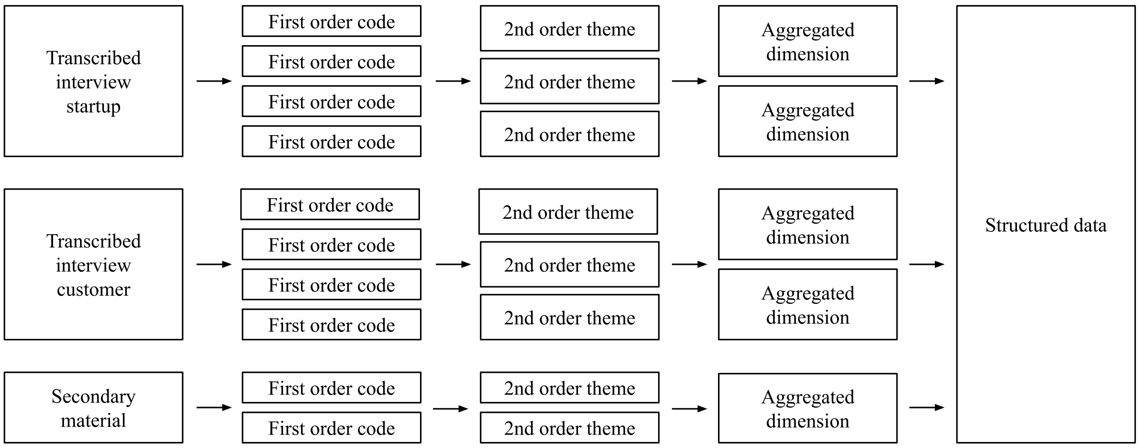

Figure 3.2: The data structuring process for each case

3.5.2 Cross-case analysis

Based upon the data coding and analysis of each case, a cross-case analysis was conducted. Using the aggregated dimensions and the underlying 2nd order codes as a basis, the analysis compared the usage of mechanisms between the cases. All through the analysis, the aggregated dimensions were discussed in relation to both the status model and importance rating.

Using a mechanism-based perspective to understand the legitimation process has two major benefits. First, it gives detailed insight into specific actions applied during the process, and the customers' reaction to them. Second, it made it possible to see how the usage of specific actions develops over time, and how their importance changes throughout a legitimation process. Ultimately, such an approach makes it easier to understand when specific mechanisms build legitimacy.

3.6 Reflections on the method

When conducting research, it is important to ensure that it meets the requirements one can expect with regards to academic quality. According to Tjora (2010) there are three measures for quality in academic research: reliability, validity and generalisability. These will be discussed in relation to this study.

3.6.1 Validity

Validity means that the data the researcher seeks to gather "is a close representation of the aspect of social reality we are studying" (Matthews, 2010, p.52). In short, it refers to whether the researcher is getting the data they think they are getting. To increase validity, the researcher must be mindful of how they operationalize important concepts, whether these concepts make sense to research participants, and whether the collected data actually answers the research questions in a meaningful way (Matthews, 2010). We have increased the validity of our data by triangulating by using different sources (Matthews, 2010). By exploring the legitimation process from the viewpoint of the new venture and its customer, we can check the data from one with data from the other. In addition, we have used additional sources such as newspaper articles and PowerPoint presentations to supplement and cross-check with the data from the interviews. We believe that this has resulted in a robust data set.

3.6.2 Reliability

Reliability, or replicability, refers to whether another researcher could expect to get the same results if they conducted the research in exactly the same manner as the original researcher (Matthews, 2010, p.52). One way of increasing the reliability of a study is to be open about the methodological choices that were made: who and why someone was chosen as informants, the relationship between researchers and informants, and how this, in turn, might have affected the results (Tjora, 2010). We have attempted to increase the reliability of our study by giving a detailed and thorough description of our methodological choices. We initially wanted to restrict our sample to new ventures that had made their first sale in the last 12 months to avoid difficulties in remembering what had happened. However, as mentioned, we found that it was much more difficult to recruit new ventures to our study than we initially thought it would be, and many were hesitant to let us speak to their customers. Furthermore, several cases withdrew due to the outbreak of the coronavirus, which placed many new ventures in a precarious financial situation. As a result, we had to compromise on our requirements. To reduce the risks associated with investigating events that have happened long ago, we applied method triangulation: both the new venture and customer were asked to describe similar things, and the information was compared with additional data sources. An added benefit to conducting video meetings was also that the informants would check their calendar and emails on the computer when they had trouble remembering. We therefore encouraged them to check their calendars to ensure the quality of the information they gave us to the best of their recollection, and to see whether it coincided with the written information we got. This way, we hoped to negate the potential negative effects due to the amount of time that had passed since it happened, such as forgetting information and dates, and memories being distorted by the passing of time. We believe this contributed positively to the accuracy of the data we collected.

3.6.3 Generalisability

Generalisability refers to whether the findings from a study can be applied to other cases (Tjora, 2010). One way of increasing the generalisability is by using randomized sampling, where the findings are representative of a population (Matthews, 2010). Seeing as sampling for the interviews in this thesis was purposive as opposed to randomized sampling (Matthews, 2010), it is not possible to generalize the insights from this master thesis to any legitimation process. However, we still believe that the findings from our research may be generalizable to other cases and their customers, as well as different kinds of customers. As mentioned in chapter 2, different audiences operate according to different institutional logics (Thornton and Ocasio, 1999), and will thus make different legitimacy judgments (Fisher et al., 2017). Our findings suggest that the customers we have interviewed have similar reasoning, and thus, it is likely that they operate according to similar institutional logics. As a result, they may make comparable legitimacy judgments and could be considered to be one audience group. If this is correct, it would mean that our findings may be generalizable across customers as a group.

4 Findings and analysis

This section will present the analysis of the data collected. It will consist of a within-case analysis of the six cases, followed by a cross-case analysis. The within-case analysis will summarise the customer relationships and present the observed legitimacy-building mechanisms. The cross-case analysis will be more comprehensive by linking the cases together and highlight similarities and differences in regard to the 2nd order codes used.

Abbreviations will be used to simplify the analysis. New venture 1 will be named NV1, new venture 2 NV2 and so forth. Same accounts for customers: C1, C2 etc.

4.1 Within-case analysis

The within-case analysis will show how the new venture applied different legitimacy mechanisms and how the customer perceived them, and how this allowed the new venture to move from one status to the next in the relationship. Each case will be summarized by a table showing which legitimacy-building mechanisms were used by the new ventures in each status, and how they were perceived by the customer. A summary of these tables can be found in appendix 5.

4.1.1 Case 1

NV1 was founded in 2015 and delivers software and hardware to the aquaculture industry. Their customer is a large Norwegian company in the same industry, located in Mid-Norway.

The entrepreneur initiated the relationship by contacting a personal acquaintance in C1. The acquaintance was acquired through a previously failed startup in the same industry, which also had led to the entrepreneur having industry experience and personal network. Unfortunately, despite liking the value proposition, the relationship did not progress with the first customer contact. Thus, the entrepreneur used his personal network, and had another acquaintance introduce him to a new contact in the customer organization. Because they worked in the same city, the customer stopped by NV1s lab, and after demoing an early prototype to the new customer contact NV1 managed to build enough legitimacy to reach status 2.

Having been involved in several unsuccessful innovative product initiatives, C1 had developed a sceptical attitude towards new solutions that NV1 needed to overcome. However, by emphasizing the team’s personal backgrounds, which included a combination of profound technical and industry experience, the NV1 managed to convince C1 of their novel technological approach and market insight. In addition, several relationship-building mechanisms associated with personal connection and collaborative partnerships were applied to build legitimacy, such as close follow-ups and building engagement, but also building trust. Together, NV1 managed to build the legitimacy required to reach status 3.

Despite having some importance in status 2, our data suggest that the most significant impact of building a solid relationship with C1 came in the final status of their relationship. By cultivating the customer contact through frequent updates and installing a sense of ownership of the project, i.e. mechanisms related to a collaborative partnership, the relationship building eventually led to the contact becoming their customer champion. NV1 ended up "piggybacking" on their champion's legitimacy, lowering the perceived risk from doing business with a new venture. This opened the doors to pilot projects, a product trial and eventually their first sale. When asked why the sale happened, the customer contact said:

> An important factor was my commitment. The company chose it because of my commitment. It would not have happened if I had not put my weight behind it. That I said that now we have to, we need this, it is the best we have seen yet, we have to do this. And it was challenged pretty hard [within the organization]. (C1)

Table 4.1: An overview of the mechanisms used by the new venture and perceived by the customer in case 1 (categorized after 2nd order codes) and how much they were appreciated by the customer. H = Highly, M = Medium, L = Low, Blank = Not mentioned.

Aggregated	**2nd order code**	**Status 1**	**Status 2**	**Status 3**
Building relationships	Personal connection	M	M	H
	Trust		H	H
	Collaborative partnership		M	H
Endorsement	References		L	
	Grants	L	L	
	Partners		L	L
Impression management	Personal level impression management		L	
	Company level impression management		L	
Network	Personal network	L		
	Company network		L	
Personal background	Technology experience		H	
	Startup experience		L	
	Industry experience		H	H
Product deliverables	Demos	H		
	Pilot project			H
	Product trial			H

4.1.2 Case 2

NV2 was founded in 2013 and delivers software and hardware solutions to ski resorts. Their customer is a large ski resort in Norway.

Before the relationship between NV2 and C2 emerged, NV2 had a status 3 relationship with C2's sister company. Unfortunately, the relationship was reduced to status 1 when their customer contact quit his job – which left them searching for other customers. In this process, NV2 cold-called C2, but did not manage to catch their interest. Instead, NV2 had to utilize their network to get a foot in the door. They used their company relationship with Innovation Norway (IN) to find a mentor from the industry, and IN assigned them the general manager of C2. NV2 used this relationship to present a demo of their product through drawings. The efforts had a positive impact on the customer, and the relationship progressed to status 2.

Shortly after recognition, NV2 employed a wide range of mechanisms in order to be viewed as legitimate by C2: utilizing endorsements by referring to their relations to university, research council and mentioning grants they had received. However, none of these were being regarded as impactful by any of the two parties. Instead, the entrepreneur believed that the team's personal backgrounds, as represented by their technical experience, as well as endorsement from production partners helped them build legitimacy, and assumed that the pilot project with C2's sister company had led to an important endorsement. C2, on the other hand, did not find any of these important, but emphasized personal background mechanisms such as their industry experience as users and the fact that they were "young and eager". Furthermore, C2 appreciated the relationship-building mechanisms such as trustworthiness, and impression management mechanisms such as their ability to match the informality of the customer. This suggests that there is a mismatch between the two parties' perception of what may have helped build legitimacy. Either way, the combined use of mechanisms managed to progress the relationship to status 3.

Moving on to the third stage of the relationship, the relationship-building preceding and during the pilot project was deemed highly important by both parties. The collaboration also proved as a good arena to build trust between the parties – progressing their relation into the first sale.

Table 4.2: An overview of the mechanisms used by the new venture and perceived by the customer in case 2 (categorized after 2nd order codes) and how much they were appreciated by the customer. H = Highly, M = Medium, L = Low, Blank = Not mentioned.

Aggregated	2nd order code	Status 1	Status 2	Status 3
Building relationships	Trust		H	H
	Collaborative partnership		M	H
Endorsements	References		L	
	Grants		L	
	Partners		L	L
Impression management	Personal level impression management		M	
Network	Company network	L		
Personal background	Technology experience		L	
	Industry experience		H	
	Inexperience		H	

Product deliverables	Demos	H		M
	Pilot project			M

4.1.3 Case 3

NV3 was founded in 2017 and delivers software to the financial industry. Its first customer was a large landowner in Norway.

C3 initiated the contact between the two parties after reading about NV3 in the local newspaper. According to C3, it was not the article that generated legitimacy, but that it showed the new venture's connection to local industry and endorsement from local banks – entities the customer contact knew well. The resulting legitimacy progressed the relationship to status 2.

Following the initial contact, NV3 devoted a lot of their time into gaining insight about C3's work-related challenges. A common geographic affiliation, being trustworthy and not overselling were all relationship-building mechanisms that NV3 used to build a relationship with C3. However, it was the founders' experience from the industry, and to some degree their ability to "mirror" the customer by being both informal and professional at the same time through impression management, that C3 pointed to as the decisive legitimating factor in progressing the relationship to status three.

A central part of progressing the relationship from status three into the first sale was further building their emerging personal relationship. This was partly done through collaboration by co-developing the solution with C3 as a mentor and conducting a short period of pilot testing of the solution enabling C3 to provide feedback. In addition, by practicing trust-building mechanisms such as open and honest communication, and adopting complete transparency in their product development process, the two parties developed a solid relationship which was of great importance to C3 in progressing the relation to the first sale.

> They were good at following up and keeping us informed. They were open and honest all the way. Parts of the solution weren't quite in place, but they were always truthful and did not try to make it appear like everything was worked effortlessly. (...) The essence here is: They were good people that were receptive to input and were trustworthy. (C3)

Table 4.3: An overview of the mechanisms used by the new venture and perceived by the customer in case 3 (categorized after 2nd order codes) and how much they were appreciated by the customer. H = Highly, M = Medium, L = Low, Blank = Not mentioned.

Aggregated	2nd order code	Status 1	Status 2	Status 3
Building relationships	Personal connection	H	M	H
	Trust		M	H
	Collaborative partnership		M	H
Endorsement	Partners	H		
Impression management	Personal level impression management		M	

	Company level impression management		M	
Network	Personal network	L		
Personal background	Startup experience		L	
	Industry experience		H	
Product deliverables	Demos			M
	Pilot project			M
	Product trial			H

4.1.4 Case 4

NV4 was founded in 2016 and delivers hardware and software solutions to the electricity industry. Their customer is the daughter company of one of Europe's largest research institutes.

C4 contacted NV4 after an industry actor recommended NV4 for their new project. Being endorsed by a well-known actor within the industry was regarded as important by C4 in building legitimacy for the new venture, progressing the relationship to status two.

In the initial meeting between NV4 and C4, the entrepreneur employed a vast range of mechanisms. The most important proved to be that the company had received endorsements through research grants, such as getting governmental research grants and research projects, as well as their ability to display competence through impression management strategies. In addition, the customer contact recognized the importance of the developing personal relationship, the new venture's network through relation to university and the product demonstration. The legitimacy acquired progressed the relationship in converting to status 3.

Moving into the third status, the competence displayed through impression management strategies was seen as quite important by the customer. Additionally, relationship-building started to become highly important, including mechanisms such as trust, building a personal connection and humility. The mechanisms contributed positively to the customer's impressions of the founder, which likely led to an increase in legitimacy for the new venture. Most of these mechanisms started in status 2, but ultimately functioned as a converter from status 3 to the first sale.

Table 4.4: An overview of the mechanisms used by the new venture and perceived by the customer in case 4 (categorized after 2nd order codes) and how much they were appreciated by the customer. H = Highly, M = Medium, L = Low, Blank = Not mentioned.

Aggregated	2nd order code	Status 1	Status 2	Status 3
Building relationships	Personal connection		M	H
	Trust		M	H
Endorsement	References		L	
	Grants		H	

	Partners	H	L	
Impression management	Personal level impression management		H	H
	Company level impression management		L	
Network	Company network	L	M	
Personal background	Technology experience		L	
	Startup experience		L	
Product deliverables	Demos		M	
	Product trials			M

4.1.5 Case 5

NV5 was founded in 2016 and delivers consumer electronics for the camera industry. Their customer is a large consumer electronics retailer in the USA.

Following their successful Kickstarter campaign which generated sales of more than one million dollars, C5 initiated contact with NV5 by email. According to the founder of NV5, they used mechanisms related to product deliverables by displaying product demos and traction through their Kickstarter campaign. A direct citation from the initial email correspondence between the two parties clearly shows the impact of their campaign video and sales numbers.

> Saw your Kickstarter campaign and I am quite impressed with your product. I believe, clearly, like many others, that there is a space in the market for this item (...). I would love to carry your product at C5, please let me know how we can go by to develop our relationship towards that goal. (C5)

Following the initial contact, NV5 applied a wide range of impression management mechanisms to hide that they were inexperienced students. However, C5 actually liked the traits NV5 attempted to hide: they were used to working with new ventures, and found it rather impressive being able to build a company from a young age – which may have led to an increase in legitimacy. Further, more industry-related impression management mechanisms – such as knowing the industry lingo, creating the illusion that they knew what they talked about or pretending that they had control over production –was also appreciated by the customer. Despite this, it was not until the NV5 and C5 first met at a consumer fair, and they managed to build a stronger personal connection, that the relationship progressed to status 3.

Moving to the third status, impression management strategies regarding experience continued to be important. Furthermore, both the entrepreneur and customer contact recognized the importance of building a relationship as an important factor in converting their relationship into actual sales. Besides having regular contact, communicating well and being available when needed, NV5 focused on creating a personal connection between themselves and the representatives in C5. This turned out to be a fruitful strategy for NV5, and C5 stressed the importance of the human aspect when doing business – stating that the personal characteristics of the founding team and their personalities were crucial in influencing the buying decision.

> I don't know if there is a clinical or professional term for this, but being nice and personable is very important to me. (C5)

Table 4.5: An overview of the mechanisms used by the new venture and perceived by the customer in case 5 (categorized after 2nd order codes) and how much they were appreciated by the customer. H = Highly, M = Medium, L = Low, Blank = Not mentioned.

Aggregated	**2nd order code**	**Status 1**	**Status 2**	**Status 3**
Building relationships	Personal connection		H	H
	Trust		M	H
Impression management	Personal level impression management		H	H
	Company level impression management		H	H
Personal background	Technology experience	L		
	Industry experience	L		
	Inexperience		H	
Product deliverables	Demos	H	M	

4.1.6 Case 6

NV6 was founded in 2018 and delivers a software solution to the real estate industry. Their customer is a family-owned company from Northern Norway.

NV6 contacted C6 through a cold call. Prior to the call, NV6 had acquired two real estate companies as investors and had several ongoing status 3 relationships with potential customers. In the initial cold call, the entrepreneur referred to both these, using them as endorsement mechanism to try to create a positive legitimating impact in the eye of the customer.

> They had some pretty big real estate companies involved [...], and since they wanted to join along, I believed the product would become very good. (C6)

In addition, C6 was approached because of their affiliation to the same region as NV6, and the entrepreneur used this connection to try to attain legitimacy through relationship-building mechanisms. Coincidentally, the entrepreneur had familial ties with persons in geographic proximity to the customer, which were somewhat familiar to the customer contact. The use of these personal connection-building mechanisms was appreciated by the customer, ultimately converting the relationship to status two.

During the first meeting, the entrepreneur used product deliverables mechanisms by conducting a product demonstration and used endorsements by referring to pilot projects they had conducted with other real estate firms. They also presented the team's personal background by showcasing the industry experience of the investors and highlighted the founding teams' technology experience acquired through a previous successful project. All mechanisms were regarded as convincing by C6, especially the experience the team possessed. Additionally, C6 admired the founders' personal background due to their young age, stating they were "*up and coming*" entrepreneurs. The customer contact also stated that the first impression and personal relation between himself and the entrepreneur was very good, building a good relationship early on. These mechanisms were positively perceived by the customer, progressing the relationship to status 3.

The initial meeting was followed up by frequent contact, further building the emerging relationship between the two parties. In addition to entering a collaboration with C6, NV6 provided their customer with a free trial of the product to lower the barrier of buying their services. Both these mechanisms were mentioned by C6 to have a positive legitimating impact ultimately converting the relationship from status 3 to the first sale after the trial had ended.

Table 4.6: An overview of the mechanisms used by the new venture and perceived by the customer in case 6 (categorized after 2nd order codes) and how much they were appreciated by the customer. H = Highly, M = Medium, L = Low, Blank = Not mentioned.

Aggregated	**2nd order code**	**Status 1**	**Status 2**	**Status 3**
Building relationships	Personal connection	H	H	H
	Trust		M	H
	Collaborative partnership			H
Endorsement	References	H	H	
	Partners	H		
Impression management	Company level impression management		L	
Network	Company network		L	
Personal background	Technology experience		H	
	Industry experience	H	H	
	Inexperience		H	
Product deliverables	Demos		H	
	Product trial			H

4.2 Cross-case analysis

The following chapter will compare and analyse the six cases. By analysing how mechanisms are used to build legitimacy towards a new venture's first customer, and how the customer reacts to them, the goal is to better understand new ventures' legitimation process from the initiation of the relationship until first sale. To achieve this, a mechanism-based perspective will be used for analysis, i.e. focus on specific actions that the entrepreneurs have utilized to change the perception of themselves or their environment in order to be perceived as legitimate in the eye of the customer. Doing so will reveal similarities and differences between the specific actions applied by the new ventures and give insight into what the customer perceives and appreciates as the legitimation process progresses.

The coding of the cases suggests the existence of six aggregated dimensions for the legitimacy-building mechanisms: building relationships, impression management, network, personal background, product deliverables and endorsements. Each dimension will be analysed separately, whereby the use of specific mechanisms will be discussed across cases, analysed and linked to the relationship initiation process model. Such a focus will make it easier to examine how the use of mechanisms change throughout a legitimation process, and how the customer's reaction to them change. Furthermore, the coupling between the individual mechanisms will be highlighted in order to better understand the nuanced picture of how various mechanisms work together in legitimating the new venture. The order of the dimensions in the analysis is alphabetical.

4.2.1 Building relationships

Building relationships was used in all cases to build legitimacy. The most prominent sub-categories were personal connection, building trust and collaboration.

4.2.1.1 Personal connection

Five cases (case 1, 3, 4, 5 & 6) showed examples of mechanisms related to the establishment of a personal connection, i.e. mechanisms applied to strengthen the interpersonal relationship between the customer representative and the entrepreneur. By developing a personal bond to their customer contact, often beyond a professional level, our data suggests that the entrepreneurs were able to build legitimacy towards their customers. As such connections take time to develop, the mechanisms were mainly found in status 2 and 3 of the relationship, after the initial meeting where they got to know each other. All the above-mentioned customers regarded these efforts highly beneficial in building the new venture's legitimacy, considering the personal bond of high importance when judging the NV's legitimacy:

> The people are definitely an important factor, there is no question about it, and there is no question that working with the NV5 team would be significantly more difficult if not had as nice people as they are. [...] For me, that initial investment is first and foremost an emotional investment in addition to a financial investment in the product. (C5)

Despite being most prominent in the later stages of the process, three new ventures (case 1, 3 & 6) managed to establish a personal relation already in status 1 by having geographic proximity to the customer: they came from the same geographical region, had relations to industry in the region, origination from the same area and/or had relations to people in the region which were familiar to the customer. Unlike the later discussed network mechanisms, our data suggests that personal connections originating from geographic proximity are less strategic as it often evolves through coincidence. The customers highly appreciated the founders' geographic proximity as it provided them with a sense of acquaintance that lowered their scepticisms towards the new ventures' offerings:

> He wanted to have a presentation for us, and I was very positive, because half of him originates from [the same geographical region as C6]. And his grandfather, [grandfather's name], is a judge I know about from the [local sports community]. So it wasn't hard for him to get a meeting. (C6)

Interestingly, none of the new ventures understood the importance of this mechanism: The entrepreneurs believed that the mechanism was unimportant in building their legitimacy. This could suggest a mismatch in how legitimating the use of an existing personal connection is regarded by the entrepreneurs and customers, suggesting that entrepreneurs could take more advantage of their geographic proximity to the customer if present.

Statements from several informants suggest that personal connection's importance developed over time. It had mediocre importance in status 2 but was deemed highly important towards the end of the relationship, in status 3.

> The communication changed from facts about NV4, to a more personal relation to [the entrepreneur]. It became [the entrepreneur] and not NV4, because it moved from presentation-mode to getting a personal relation to me recommending him to others. (C4)

However, in the cases where geographic proximity was used as a mechanism, the personal connection seemingly started developing earlier, already in status 1. It is therefore suggested that geographic proximity might initiate the personal connection early on, but either way the connection develops gradually over time and has the most importance towards and during status 3. In terms of legitimacy, personal connection is suggested to be a continuous process, where it gradually leads to more legitimacy for the new venture as the relationship progresses.

4.2.1.2 Trust

The entrepreneur being regarded as trustworthy appeared to be important for legitimacy building: trust was mentioned in all cases, to strengthen the relationship between the customer and the new venture. Many of the new ventures presented trust-building as a deliberate strategy when building legitimacy, and their customers highly appreciated these efforts. The mechanisms were mainly used in status 2 and 3, consisting of personal attributes such as humility, honesty and transparency – and the more general description of "being nice".

> If I heard that the customer is very positive, it is almost that I want to lower their expectations. Because if he is extremely positive and I don't deliver on those expectations, I might end up with a backlash. It's just, to be honest about it, and tell them straight up how things are. If you are honest and tell how it is without any bullshit and they experience it that way, that maps and terrain match then you gradually gain trust. You have to be completely honest and transparent about what you are doing. (NV3)

> They have been open about their challenges, whether it is product development and the dialogue with manufacturers, or it is financing and the dialogue with Innovation Norway, they have been open and transparent about everything. I think it has been a good dialogue and we have experienced our relationship as solid from day one. (C2)

In general, trust-building began at the first personal encounter between the founder and customer organization, usually in status 2:

> My belief is that if you meet people in person it can be a game-changer to a relationship. It definitely helped [building the relationship with NV5]. (C5)

However, several of the customers implied that trust had a gradual increase in importance throughout the process: the applied mechanisms seemed somewhat important in legitimacy-building in status 2, and highly important in status 3. It is therefore suggested that trust is an important mechanism for legitimacy development, which starts to gain new venture legitimacy early and increases in importance over time. Like personal connection, it therefore takes time to acquire legitimacy through usage of trust-building mechanisms, and trust builds up gradually over time: it has the most importance towards and during status 3. This suggests that new ventures should focus on applying trust mechanisms from the beginning, for the customer to perceive them as trustworthy as early as possible.

4.2.1.3 Collaborative partnership

Four new ventures (case 1, 2, 3 & 6) had entered into a collaborative partnership with their customer, involving their customer in the product development, e.g. product trials where they could provide feedback (case 3 & 6. See section 4.2.6.3), conducting pilot projects together (case 1, 2 & 3. See section 4.2.6.2) or conducting cooperative workshops (case 2).

> Besides numerous meetings discussing back and forth, we developed new business models and drafted budgets together with the customer. We discussed prices, placement and long-term potential. Together with the customer, we also made estimates on the number of expected uses, substantiated with formulas and excel sheets. We also went through a process where we discussed what relation we were to have with the customer: them being an ordinary customer or a business partner [...]. Later, we developed a contract draft which was revised back and forth, presented drafts of how the product were to be built, took some input and came to an agreement. (NV2)

The collaborations happened during status 2 and 3 and were highly appreciated by the customer, especially in status 3. Interestingly, there seems to be a mismatch between the new ventures' motivation and customers' evaluation of these efforts: the new venture presumably enters collaborations to develop a greater understanding of the customer's challenges, while the customer rather enjoyed being a part of the development process. In other words, the new venture tried to gain legitimacy by finding a better product-market fit, but the customers found it legitimating due to getting a "sense of ownership" to the product.

> It's the same thing as with employees. If you tell them to do things, it's not very funny. But if they get to join in on the planning, they get more sense of ownership making everything more exciting. (C6)

The findings suggest that collaborations have an additional benefit the NVs should be aware of: involving the customer might acquire the startup legitimacy by building relations – not only making a better product. Furthermore, several of the customers mentioned that asking the customer for help made the NVs appear as humble – also suggesting that collaborations might work as a trust-building mechanism (see section 4.2.1.2).

A further elaboration of these mechanisms showed that two of the customers (case 3 & 6) also highlighted the value of having an important role in the development. Both expressed that knowing the NV would listen to suggestions, they in turn gave the new ventures "some slack", i.e. lowered their demands for the technical functionalities of the product.

> When you are in an involvement phase you will become a little round at the edges when everything is not working properly because they are building this system (C6)

This suggests that customer-involvement might alter the customers' reasoning, judging the NV as legitimate despite having an unfinished product. However, both of the new ventures were software start-ups offering products that were seemingly easy to adapt according to the customer demands, which might suggest that such mechanisms are easier to use when developing software products, as it is easier to adapt the solution according to customer needs.

In addition, by adopting a collaborative approach, NV1 and NV2 managed to acquire a "customer champion" within the customer organization in status 3, i.e. an individual in the customer organization helping the new venture overcome difficulties. In both cases, this likely contributed strongly to the customer's positive judgment of the new venture, as the champion preached the new ventures' point of view to the wider organization, altering their view of the new ventures. This might be regarded especially important in these two cases, because the customer organizations were quite large.

> The customer contact did the sales job for us. He said: we have worked with these guys for 2-3 years, everything looks good, we trust them. They are looking for their first commercial customer, could that be you? So they kind of did the sale for us. (NV1)

This might suggest that collaboration has an unexpected benefit: the customer contact might become so involved that they become "committed" to the NV, and that such commitments from the contact contribute to a positive legitimacy judgment by the customer organization.

These findings suggest that collaborations may have an importance in the legitimacy development. Despite not being used as a deliberate strategy by the new ventures, our data suggests that applying mechanisms of collaborative partnerships created customer involvement and a "sense of ownership" towards the new ventures offerings – which may have contributed to the customer ultimately judging the NV legitimate despite having an unfinished product. Therefore, our findings indicate that entering into collaborative partnerships may contribute to positive reasoning and legitimacy judgment from customers in the later stages of the legitimation process, i.e. status 2, and especially status 3.

4.2.1.4 Summary of Building Relationships

In their quest for legitimacy, all new ventures employed relationship-building mechanisms. In general, the customers highly appreciated the mechanisms of personal connection, trust-building and collaboration. A new venture's ability to develop a strong relationship with its customer may therefore have a significant impact on a new venture's capacity to attain legitimacy. Furthermore, the findings suggest that relationship building can be seen as a more long-term strategy: although the mechanisms are employed in status 2, its importance often appears later in the relationship, in status 3 – suggesting there is time lag when using such mechanisms. The only exception was found when the entrepreneur used mechanisms concerning their geographic proximity, which started the legitimacy-building already in status 1.

Table 4.7: The 2nd order codes within the aggregated dimension of building relationships, and how important they were perceived in legitimacy-building. H = High importance, M = Mediocre importance, L = Low importance, Blank = Not mentioned.

	Status 1	Status 2	Status 3
Personal connection	H	M	M
Trust		M	H
Collaborative partnership		M	H

4.2.2 Endorsements

In all cases, the new ventures used endorsements in an effort to build legitimacy towards the customer, in an effort to "piggyback" on others legitimacy. The most prominent types of endorsements in our cases were references, grants and partners.

4.2.2.1 References

Four cases (case 1, 2, 4 & 6) tried to build legitimacy by referring to previous successful pilot projects they had conducted with other companies. The mechanisms were employed shortly after getting in touch with the customer, being most prominent in status 1 or 2. The customers of NV1, NV2 and NV4 stated that they did not judge the previous pilots important for legitimation. For instance, C2 stated that the previous pilot project was too premature to be of any value – even though it was conducted together with their sister company. Similarly, C4 did not put any value to the previous pilot but deemed instead the relation to the pilot company legitimating (see section 4.2.4.2). The only exception differing from the others was case 6: C6 deemed the pilot projects highly legitimating, and an important argument for their interest. However, also they emphasized the importance of the relation to the pilot companies. It could therefore be suggested that the previous pilot projects in themselves don't acquire much legitimacy, but the network acquired might be more important.

4.2.2.2 Grants

Grants were also used by three of the new ventures (case 1, 2 & 4) to build legitimacy through expressed validation from others, e.g. the company receiving financial support from research institutions. Contrasting to the above-mentioned references, which works to display previous company results, grants relate to demonstrating financial commitment from well-known institutions. In all cases, the mechanisms were used in the first two statuses. Interestingly, the mechanisms were seldom regarded as especially decisive

> Research grants in [this industry] is not good, they are fed up with research. It's so many that have tried to do research, which never ended up with anything. (NV1)

Case 4 was the opposite: having applied to the same grant-provider herself, the customer had in-depth knowledge about the grant issuer thereby understanding the size of the feat. In that case, the mechanism was regarded highly important by the customer, which contributed to building the new venture's legitimacy in status 2. This might suggest that endorsements from grant providers are somewhat unimportant in the customers' legitimacy judgement, except when the customer contact has personal experience of the difficulty of acquiring said grant.

4.2.2.3 Partners

Endorsements from partners – such as partnerships with production partners – were used by five new ventures in our study (case 1, 2, 3, 4 & 6). The partnerships were usually forged before the customer relation started, but their endorsements were used during all statuses. Three of the cases (3, 4 & 6) showed examples of the mechanism that the customer found highly important. In all cases, the endorsement came from a company familiar to the customer.

> Being recommended by an industry actor builds trust. So obviously, since that was a selection criteria we used, it was important that someone had heard of them from before. (...) The fact that the company had contacted [a familiar industry actor] was very trustworthy. (C4)

In all the cases where endorsements were positively received, the financial commitment needed from the customer was low. In addition, the new venture was in all cases endorsed in status 1, and the endorsement acquired them enough legitimacy to be recognized. This suggests that endorsements may work when it's perceived to be of low risk to engage in a relationship with the new venture.

The importance of being familiar to the company could be seen in relation to the findings from the section on personal connection (see section 4.2.1.1), where geographical proximity to the customer was found important for legitimacy-building. However, the findings from endorsements also comprises organizations the customers have a relation to – which resonates well with the findings on company networks (see section 4.2.4.2). Altogether, the findings suggest that endorsements might be legitimating if it comes from the correct third party, i.e. someone familiar to the customer.

4.2.2.4 Summary of endorsements

The findings suggest that endorsements worked best when endorsed by someone familiar to the customer, either a person or an organization the customer had personal experience with. Furthermore, these endorsements seem to acquire legitimacy in status 1, helping the new ventures overcome the hurdle of being recognized by the customer, i.e. progressing them to status 2.

Table 4.8: The 2nd order codes within the aggregated dimension of endorsements, and how important they were perceived in legitimacy-building. H = High importance, M = Mediocre importance, L = Low importance, Blank = Not mentioned.

	Status 1	**Status 2**	**Status 3**
References	M	L	
Grants	L	M	
Partners	H	L	L

4.2.3 Impression management

Several of the new ventures applied mechanisms of impression management, meant to influence the audience's perception of the founders, their team and their venture. The aggregated dimension of impression management includes the subcategories of personal and company level impression management.

4.2.3.1 Personal level impression management

Five new ventures (case 1, 2, 3, 4 & 5) applied mechanisms of personal level impression management, i.e. mechanisms meant to influence how the entrepreneur is perceived by the customer. In all cases, the mechanisms that were applied concerned legitimacy-building through conformance: creating a perception of "fitting in" to the industry.

In general, personal level impression management mechanisms were used to match the perceived expectations by the customers in the beginning of the relationship, by: "mirroring" the customer contact (case 1), matching the "informal" style of the customer contact (case 2 & 3) or hiding personal traits such as gender, level of inexperience and student status (case 5).

> You need to mirror the ones you meet. In [this industry] people seldom have a lot of education, so if you show off your Master's degree [...], you're immediately out. It's the same with your clothes. [...] You need to match the atmosphere. (NV1)

> I did not turn on the camera during the video meetings because I am a little blonde girl who does not look so serious. [...] Everybody tends to create a picture of someone based on the information they have at hand. I personally think that I can create a more professional image of myself if I do not – as I was when we sold our first products – appear like a 25 year old blonde girl from Norway. It is better if they do not see how inexperienced and young I look. (NV5)

None of the customers found the efforts especially important for legitimacy-building – the best reactions came from C2 and C3, which regarded it of mediocre importance. Despite this, it might suggest that the NVs were successful in their efforts: they managed to reach expected behaviour for ventures operating within the industry. All the customers also stated that the startups "fitted in" in the industry, thereby suggesting that they managed to conform to expected industry norms.

Despite managing to conform using impression management, statements from C5 shows that they actually liked the traits NV5 initially attempted to hide: they believed it showed that they were able to succeed against difficult odds. We therefore find that hiding personal characteristics by using impression management might result in the new venture missing out on potential positive reactions from their customer. As our data suggests, inexperience on its own might be seen as a positive trait by the customer when used in relation to other mechanisms (see section 4.2.5.4)

The efforts of two of the new ventures (case 4 & 5) in using mechanisms of personal level impression management were highly appreciated by their customers, by creating a perception of competence. Despite not having much industry knowledge, the entrepreneurs managed to create a perception of in-depth industry knowledge – often by "googling" during meetings or applying industry lingo.

> I always do a lot of preparations before our meetings, but I have to admit that there is a lot of ad-hoc work also. (...) I can sit and shamelessly google words and phrases during meetings because I have no clue about the industry lingo. To make sure you use the right lingo it is perhaps one of the most important. There are a lot of abbreviations, a bit like being in the military trying to keep track of words and expressions in that industry. (NV5)

The mechanisms were mainly applied during status 2, to change the customers' perception of their competencies. In both cases, the customers were convinced, believing the new ventures to have more experience than they had. The finding suggests that personal level impression management might be beneficial in legitimacy-building if used to compensate for the lack of industry experience.

4.2.3.2 Company level impression management

Four new ventures in our study (case 1, 3, 4, 5 & 6) applied mechanisms of company level impression management, i.e. mechanisms meant to influence how the company is perceived by the customer. In all cases, the mechanisms that were applied concerned creating a perception of disruptiveness and/or professionalism.

Two of the new ventures (case 3 & 6), both delivering a novel solution in a well-established and traditional industry, tried to create a perception of disruptiveness towards their customer, i.e. an impression of challenging industry norms. However, none of the customers found these efforts to be convincing, suggesting the efforts were neither put much effort into nor appreciated by the customer. Furthermore, it might suggest that disruptiveness is not regarded as an especially legitimating argument, despite operating in a traditional industry.

Professionalism, on the other hand, appeared to be slightly more important for the new ventures when trying to build legitimacy. The mechanisms were applied by four new ventures (case 1, 3, 4 & 5), but only one of the customers (case 5) deemed the efforts to be important.

> It was very important to us that it seemed like we were in control of production because there are many who do not have that on Kickstarter. And we certainly did not have it either, so it was important to appear as if we had it. (NV5)

> The product was there, they had built a company, they had a manufacturer, they had marketing resources and they had done a good job (C5)

The findings suggest that company level impression management – when used to create a perception of disruptiveness or professionalism – has little impact on legitimacy-building.

4.2.3.3 Summary of impression management

The findings suggest that the mechanisms of impression management, both at personal and company level, had limited influence on the legitimacy building towards the customer. The only exception is found on a personal level in status 2, when the mechanisms were used to compensate for the lack of industry experience.

Table 4.9: The 2nd order codes within the aggregated dimension of impression management, and how important they were perceived in legitimacy-building. H = High importance, M = Mediocre importance, L = Low importance, Blank = Not mentioned.

	Status 1	Status 2	Status 3
Personal level impression management		H	M
Company level impression management	L	L	

4.2.4 Network

Network was used in five of the cases to build legitimacy towards the customer. The dimension can be separated into two types: personal network and company network.

4.2.4.1 Personal network

Personal network was used by two of the entrepreneurs (case 1 & 3) early on. In case 1, the personal network was used to get in touch with the customer, while in case 3 it was used to get in touch with important actors. In both cases, the network was acquired through previous work experience in the industry, and the mechanisms were applied in status 1 or early status 2.

> We used our network extensively towards the first sale. I had quite a large network within the banking sector from before, so we obviously used it. (NV3)

Interestingly, both the entrepreneurs using their personal network had industry experience (see section 4.2.5.3), which may suggest that personal networks are used only by these types of entrepreneurs. A potential reason for this could be that inexperienced entrepreneurs do not have much network to use due to having spent a limited amount of time in the industry. However, the customers did not seem to regard the usage of networks especially important for legitimation. It was rather the mechanisms coming as a result of using personal networks that were found convincing, such as showing a prototype (case 1) or being endorsed by banks (case 3). This suggests that personal networks may work as a facilitator for other mechanisms, thereby enabling other ways to acquire legitimacy.

4.2.4.2 Company network

Four of the new ventures (case 1, 2, 4 & 6) used their company network to build legitimacy, e.g. relations to university or Innovation Norway. The mechanisms were most prevalent in status 1 and 2, and either used to get in touch with the customer or to frame the company in a professional context. However, the mechanisms were only explicitly deemed legitimating in one case (case 4), which used their network with a university and local industry – organizations the customer had relations to.

> Coming from [technical university] made them very trustworthy. Especially since he's within the energy sector, then [the technical university] is the right place to be. I've studied there myself, and believe it's good. (C4)

However, as discussed in a previous chapter, C6 might also have acquired legitimacy by using the organizational network: they had conducted pilot projects with several companies the customer knew well, and the customer regarded the contacts highly legitimating. The findings from case 4 and 6 might therefore suggest that company networks might work as a mechanism to build legitimacy if the customer also has a tie to the same organization.

The company network was also used to facilitate the use of other mechanisms. In case 2, the company network was used to get in touch with the customer enabling NV2 to present product deliverables, while case 4 used the network to get an endorsement from an industry actor. Like personal networks, this suggests that company networks also may enable other ways to acquire legitimacy.

4.2.4.3 Summary of network

The findings indicate that nearly all the new ventures used their network as a mechanism, either in status 1 or 2. Personal and company networks were also used somewhat similarly by the entrepreneurs. However, using a network does not seem to build much legitimacy, but might lead to either an endorsement or an introduction to the customer where other mechanisms could be applied. Network might therefore work during status 1, as a facilitator for the use of other mechanisms.

Table 4.10: The 2nd order codes within the aggregated dimension of network, and how important they were perceived in legitimacy-building. H = High importance, M = Mediocre importance, L = Low importance, Blank = Not mentioned.

	Status 1	**Status 2**	**Status 3**
Personal network	M	L	
Company network	M	M	L

4.2.5 Personal background

The background of the founders and/or team was used to build legitimacy. The aggregated dimension includes the subcategories of technology experience, startup experience, industry experience and inexperience which, according to our data, may also function as a legitimacy builder.

4.2.5.1 Technology experience

We find that five new ventures (case 1, 2, 4, 5 & 6) used technology experience as a mechanism to build legitimacy. The mechanisms were mainly observed during status 2 in order to showcase both the founders' and team members' technical capabilities, e.g. education or previously developed products.

> It was important to showcase my co-founder. That was the focus. Because he is an amazing scientist. When he shows you the things he is working on… Nobody is not impressed then. It is crazy. [...] So when you take a customer to a person like this you can use it to show…. To build the feeling that: "shit! Here we have someone who can do something!". It is not important what you show them, or rather, it is inconsequential. It is the feeling that that person has when he leaves the room that is important. And that is: wow, these guys can really do it! (NV1)

According to our data, two of the customers (case 1 & 6) appreciated this mechanism. In both cases, the entrepreneurs referred to comparable products in their portfolio, i.e. similar products the entrepreneurs had made in previous jobs/projects, which had been successful in the market. They referred to both the products' technical functionality and traction they had received. The mechanisms were well received by the customers: C6 even mentioned specific functionality of NV6's portfolio product.

> I felt they had a lot of experience despite their age, I really believe that. They had experience developing [portfolio product] from before, so they had a basis to develop this product as well. (C6)

In contrast to demos (see section 4.2.6.1) – which are based on what the entrepreneurs showcase to display the NVs value proposition – mechanisms involving portfolio products are based on past merits of the entrepreneurs. Our data suggests that despite the startup not having a track record, being able to show previously developed products might prove that the entrepreneurs have one, thus contributing to a positive legitimacy judgement from the customer.

Of the two customers, C1 found the technical capabilities of the team the most convincing. The team's competences were described as one of the most important reasons for their purchasing decision, and especially the co-founder's technical knowledge was of importance. Knowing that the co-founder had previous experience from relevant technologies combined with seeing his work in practice strengthened the customer's belief that the new venture could manage to deliver what they said they would. The high importance of technical experience may be due to the technically complex product, or the fact that the customer had tested many other technical solutions that did not work, thus making it more important for them to ensure that this new venture would be able to deliver.

Our findings imply that mechanisms related to technology experience may contribute to a favourable legitimacy judgment by the customer, especially when referring to technical capabilities or comparable portfolio products.

4.2.5.2 Start-up experience

Three new ventures in our study (case 1, 3 & 4) referred to previous startup experience when trying to build legitimacy: either previous track record or acquired entrepreneurial experience. The efforts were mainly applied during status 2. However, our data indicates that none of the customers found the efforts to be important, and NV1 may even have ended up with higher legitimacy demands from the customer because of the entrepreneur's failed startup within the same industry – which also had C1 as their primary customer:

> The earlier startup was no success, which some people in the organization found negative. It was a bit like "we've talked to those guys before, they didn't manage to accomplish shit". (C1)

Despite having failed earlier, having worked in the same industry with the same customer acquired him industry experience (see section 4.2.5.3). As our data suggest that industry experience is legitimating, this might have helped compensate for the higher legitimating demands.

C3 was not aware of the new venture's efforts to apply mechanisms showcasing their previous startup experience. When questioned, he stated it was positive that the entrepreneurs didn't have startup experience, despite NV3 using mechanisms to emphasize that they had this:

> I've seen presentations where they have had co-founders with several startups behind them. I'm not very impressed by that. Anyone might call themselves a co-founder, it tells me nothing about the success. Thinking back, I'd say it was positive that they didn't have startup experience. They are ordinary people with a good idea. (C3)

Taking both these into account, serial entrepreneurs should be careful using previous startup experience as a mechanism to acquire legitimacy – as the customer might dislike a record of failing. However, startup experience could be used to display industry experience, as further discussed in the section below.

4.2.5.3 Industry experience

Five new ventures (case 1, 2, 3, 5 & 6) used mechanisms relating to industry experience when trying to build legitimacy, e.g. previous startup or work experience in the industry. The mechanisms were mainly applied to prove the founders' understanding of the industry context as part of efforts to demonstrate the venture's expertise. Mechanisms of industry experience were applied in all statuses, but were, according to our data, most often used and appreciated by customers in status 2.

Three of the new ventures, which had vast industry experience from before (case 1, 3 & 6), believed that the legitimating efforts using these mechanisms were important. Hereunder, NV1 and NV3 referred to the entrepreneurs' industry experience, while NV6 referred to their investor/co-founding company's background from the industry. Our data suggests that the efforts were well received by their customers, all of whom highly appreciated the mechanisms, stating they convinced them of the entrepreneurs' competence.

> It has been highly beneficial that we could refer to both co-owners and pilot customers. That has been crucial, at least towards the first customers. (NV6)

> They were good at displaying what skills they had on the team. They had some bankers with them and industry experience and such. This gave us a feeling that it seemed solid, proper and decent. (C3)

Of these, the entrepreneur in case 3 had the most industry experience of all, with numerous years in various roles in the financial industry. Interestingly, NV3 had a conscious strategy to appear disruptive and stand apart from the industry they were to enter, with a goal to break industry norms – and the efforts were not seen as negative by the customer. This suggests that work experience from the industry may be very legitimating, and might even allow non-conforming behaviour, e.g. appearing disruptive.

Interestingly, NV2 also managed to convince the customer about their industry experience, despite not having work experience from the industry. Instead, they referred to their experience as a user/customer.

> They had identified a need based on their own experience as a guest in a ski resort, and that's a really good basis for product development. (C2)

This implies that industry experience is convincing towards the customer, regardless of the ways in which it was acquired.

The findings suggest that industry experience is highly important in the legitimacy-building towards a customer, especially during status 2. Industry experience also seems to be of some importance regardless of the amount of experience: having something to show for might still contribute to a favourable legitimacy judgment by the customer. However, having a lot of industry experience might build enough legitimacy to allow non-conforming behaviour.

4.2.5.4 Inexperience

Contrary to the previous subcategories, our findings suggest that inexperience also may have contributed to legitimacy building in three cases (case 2, 5 & 6). All three entrepreneurs had limited experience from before, having started their ventures as student entrepreneurs. The mechanisms were most prevalent during status 2.

Two of the new ventures (case 2 & 6) consciously chose to portray themselves as inexperienced, using mechanisms to highlight that they were young and "*up-and-coming*". The mechanisms included being eager and open minded. The efforts made a good impression on their customer, which appreciated the founder's inexperience, suggesting that it may have contributed to a positive legitimacy judgment for their customers:

> Good ideas often come from young people. In [our company], and in many other companies, we have more than enough men in their 50s. (C2).

NV5, on the other hand, tried to hide their inexperience to appear more professional by using impression management mechanisms (see chapter 4.2.3). However, C5 eventually found out about their inexperience, but did not care: if anything, he was even more impressed by their achievements as this displayed the ventures abilities to overcome challenges often associated with being young:

> Both of their founders are young which is one of the reasons I was very impressed with them. I always say to my vendors that I am privileged to work with them, you know young minds working hard. I'm also young, but in the end, I am not doing what they're doing which is taking something from zero to one so I'm very impressed with them. (C5)

Both case 2 and 6 had managed to convince the customer of their industry experience, despite being inexperienced (see section 4.2.3.1). In addition, both companies had a collaborative partnership with the customer (see section 4.2.1.3), whereby the customer themselves could contribute with industry insight. This might suggest that being assured of the NVs industry insight might compensate for the lack of experience. In addition, as case 5 suggests, having shown impressive product deliverables before getting in touch with the customer (see 2.1.3.5) might also compensate for the lack of experience. In sum, assuring the company of either industry experience or product deliverables might allow the customer to appreciate the entrepreneurs' inexperience and entrepreneurial drive – and inexperience might thereby work as a mechanism to build legitimacy.

4.2.5.5 Summary of personal background

The findings suggest that experience was highly important when building legitimacy towards a customer. Technology experience was legitimating when presenting a portfolio product, while previous start-up experiences were only important to display industry experience. Industry experience, on the other hand, was always highly legitimating when it was used: any industry insight seemed to be beneficial. Furthermore, inexperience seemingly also built legitimacy for the new venture, as long as the customer already was convinced of the new venture's industry experience or product deliverables. The mechanisms were used during all stages, but highly appreciated in status two.

Table 4.11: The 2nd order codes within the aggregated dimension of personal background, and how important they were perceived in legitimacy-building. H = High importance, M = Mediocre importance, L = Low importance, Blank = Not mentioned.

	Status 1	**Status 2**	**Status 3**
Technology experience		H	M
Startup experience	L	L	
Industry experience		H	M
Inexperience		H	M

4.2.6 Product deliverables

Product deliverables were used in all relationships. The most prominent product deliverables used to build legitimacy were demos, pilot projects and product trials.

4.2.6.1 Demos

Most of the new ventures used demos to build legitimacy early on, i.e. demonstrating a prototype/technical drawing of the product in front of the customer. For example, the entrepreneurs in case 1, 2, 4, 5 and 6 all presented a demo of their product to the customer at the earliest possibility, either in status 1 or 2. NV2, despite not having a product at the time, chose to present technical drawings of their product, while NV5 had their product displayed in the Kickstarter-campaign. Here, because the customer was a retailer which wanted to distribute their product, consumer presells were the most important "product feature".

> There was no question that there was a significant number of people that had signed up for their Kickstarter which was something that caught my eye. (C5)

The only company that didn't present the product in status one was case 3. However, they ended up co-developing a prototype with the customer, which also resulted in presenting the prototype to the customer at the earliest possible time. Our findings suggest that applying such mechanisms may have contributed to a positive legitimacy judgment by the customer in four cases (case 1, 2, 5 & 6), as the customers regarded the product demonstration of high importance.

> We got invited down to their lab, because they had some exciting technology we had to see [...]. And I visited two more times, because the first visit gave such a good impression, that I wanted broader anchoring [in the organization]. (C1)

However, two of the customers (case 3 & 4) gave these demos no more than mediocre importance in their legitimacy-building:

> I think it was 2-3 times he showed me [the product]. I knew what I wanted, so it was more a question of whether he could deliver it. (C4)

A similarity between the NVs receiving a highly positive customer judgement, was their early presentation. NV1 and NV2 presented the demo already in status 1, while NV6 presented it at the first meeting with the customer in status 2. This might suggest that presenting a demo at an early stage might be positive for the NVs, and it may be more favourable to present it during status 1 than 2. NV4 proved to be an exception: they also presented a demo at the first meeting, but it was not deemed very legitimizing by C4. However, findings suggest that the customer already had made up her mind, and knew what she wanted. C4 also ended up buying the demoed prototype in the end – suggesting it might have been somewhat convincing when presented. Altogether, the findings suggest that demos might be used as a strategy to convince the customer, if they are presented early on.

4.2.6.2 Pilot project

Conducting a pilot project together with the company was used to build legitimacy in three of the cases (case 1, 2 & 3) later in the process, primarily in status 3. Two of the customers (case 2 & 3) regarded the projects of mediocre importance – it was mostly important as a stepping-stone towards a finished product. However, case 1 proved to be an exception. During the pilot project, NV1 encountered several technical difficulties, which they managed to solve. Being able to overcome such challenges was regarded highly legitimating by the customer. The pilot project was therefore very important in NV1s legitimacy-development, as they showed that they managed to overcome great technical barriers

Furthermore, in several of the cases, the pilot projects were mentioned as important to strengthen customer involvement. Several of the entrepreneurs mentioned that pilot projects were used as a mechanism to strengthen the personal relation with the customer, and thereby possibly contributing to their legitimacy (see chapter 4.2.1.1).

> I updated him a lot on SMS, preferably pictures from testing out in the sea [during the pilot project]. I wanted to build engagement, make that person…you have to make them excited for this. (NV1)

The collaborative efforts were found highly important by the customers. C2 even described NV2 as having the "appropriate attitude", seeking help and answers from customers.

> There were many phases we were to go through, with testing and a pilot project [...]. We were to do this together. Test the product, see the results, evaluate and so forth. That was the most important. (C2)

This suggests that a pilot project does not necessarily contribute to a favourable legitimacy judgment by the customer, but that they are important in displaying execution capabilities and collaborating with the customer. Pilot projects might thereby be indirectly important for the legitimacy-building towards the customer.

4.2.6.3 Product trials

Three new ventures (case 1, 3 & 6) used product trials to convince the customer of their value proposition, i.e. giving them an opportunity to test the product in their daily operations, thus building legitimacy by proving that the product works and solves their problem. In all cases, the trials were given as a part of a collaborative partnership (see section 4.2.1.3), where the customer could come with suggestions on future development.

> We said to [the customer]: "Now, we make a 1.0-version, and you test it. We should rather stay in touch, and whenever you [the customer] find something you don't like, you tell us". (NV3)

These mechanisms were all used in status 3. C3 regarded it to be a positive but mediocre important experience, C1 mentioned it to be of high importance, while C6 as a prerequisite for the final sale.

> We didn't buy it at first. But that's exactly why I wanted to join in, because we could test and see and then decide later. (C6)

Our data suggests that trials were important in convincing the customer that the product worked. However, similar to pilot projects, it also had another benefit: the customer was convinced by the collaboration between the two parties (see section 4.2.1.3). This implies that trials work both to convince the customer about product and collaboration.

4.2.6.4 Summary of product deliverables

Findings suggest that product deliverable mechanisms were likely very important for the legitimacy-building of new ventures, especially in the first and last status. This suggests that, when having nothing at all, showing what little you have early on matters when building legitimacy towards your first customer. Demos were appreciated by the customers, if they were presented early in the relation – such as in status 1. Furthermore, both pilot projects and product trials built legitimacy during status 3, and were highly important in strengthening the collaborative partnership and show execution capabilities.

Table 4.12: The 2nd order codes within the aggregated dimension of product deliverables, and how important they were perceived in legitimacy-building. H = High importance, M = Mediocre importance, L = Low importance, Blank = Not mentioned.

	Status 1	**Status 2**	**Status 3**
Demos	H	M	
Pilot project			H
Product trials			H

4.2.7 Summary of analysis

Mechanisms related to all aggregated dimensions were used in all statuses. However, the findings suggest that it varied greatly whether the aggregated dimensions were appreciated or not by the customer in each status. This suggests a mismatch between what the new venture believes will lead to legitimacy and what results in legitimacy de facto. This summary will discuss the mechanisms that may have built legitimacy in each status.

Table 4.13: The aggregated dimensions and how important they were perceived in legitimacy-building. H = High importance, M = Mediocre importance, L = Low importance

	Status 1	**Status 2**	**Status 3**
Building relationships	H	M	H
Endorsements	H	L	L
Impression management	L	H	M
Network	M	L	L
Personal background	L	H	M
Product deliverables	H	M	M

4.2.7.1 Legitimacy-building in status 1

The new ventures applied a range of mechanisms in the first status, but only a small number were considered important by the customer. Hereunder, mechanisms related to building relations, product deliverables and endorsements seem to be the most important in building legitimacy, as well as network.

Using mechanisms of endorsements may have contributed to the new ventures' legitimacy when the new venture got endorsed by someone familiar to the customer. Using product deliverable mechanisms also likely contributed to the new ventures' legitimacy, if they were applied early on. Using network mechanisms did not appear to result in any legitimacy for the new venture, but rather operated as a facilitator for the usage of other mechanisms, i.e. they were used to get an endorsement or first meeting. The mechanisms also appeared to work independently of one another, i.e. they did not necessarily have to be combined to progress the relationship, but may have built enough legitimacy by themselves.

Based on the findings in this study, various mechanisms might be applied independently of one another to receive a positive legitimacy judgement from the customer. Entrepreneurs might *build relations* by referring to a common affiliation, get an *endorsement* from a person familiar to the customer or use *product deliverables* by presenting a demo. Moreover, to facilitate the usage of these mechanisms, the entrepreneurs might use their *network* to get an endorsement or first meeting.

4.2.7.2 Legitimacy-building in status 2

At the second status, the new ventures applied many mechanisms, and the customers reacted positively to several of them. Of these, mechanisms related to experience seem to be the most important in building legitimacy, as well as mechanisms of impression management.

The findings suggest that mechanisms of experience were the main contributors in building legitimacy; mainly by showing industry experience, and sometimes by referring to technology experience such as portfolio products. In cases where the entrepreneurs had shown product deliverables or industry insight, either through user experience or investor relations, inexperience also contributed positively. However, when the entrepreneurs lacked the relevant industry experience, using impression management mechanisms worked well to compensate.

Based on this, there are seemingly two ways in which an entrepreneur might acquire the needed legitimacy in status 2, which might be applied independently or in combination: *personal background* by showing industry experience, technical experience through portfolio products or inexperience, or use *impression management* to create a perception of industry experience.

4.2.7.3 Legitimacy-building in status 3

At the third status, many mechanisms were applied by the new ventures. However, only a smaller proportion of them were very positively perceived by the customers. Of these, mechanisms related to building relationships seems to be the most important. In addition, product deliverables continued to be perceived as somewhat important.

Up until status 3, the new ventures had managed to build a strong relationship with the customer, and the entrepreneurs seemingly benefitted from the earlier applied relationship-building mechanisms. The relationship was no longer based solely on their geographic proximity but had rather strengthened through collaborative efforts and displaying trust. The strong personal relationship between the entrepreneurs and customer contacts were deemed highly important by the customer in building legitimacy.

Using mechanisms related to product deliverables also seemed to have importance in status three: the data suggests that it may have built legitimacy by displaying that the product worked, and that the new venture had the necessary execution capabilities. Pilot projects and product trials also created a good arena for collaborating, strengthening the above-mentioned relationship-building.

Based on this, the authors argue that in status 3, it is likely that legitimacy might be attained through the use of mechanisms concerned with *building relationships* – which the entrepreneurs should consider applying as early as possible. Additionally, *product deliverables* to prove that the product works, and that the NV is able to deliver are suggested as secondary measures in proceeding the relationship.

4.2.7.4 Changing legitimacy judgements

The findings of this study indicates that the importance of the different legitimacy mechanisms varied in each status of the legitimation process, e.g. endorsements were important in status 1, while building relationships became gradually more important throughout status 2 and 3. This suggests that the customers appreciated different legitimacy mechanisms based on the given statuses the relationship was in. The authors therefore suggest that customers' legitimacy judgement changes throughout a legitimation process, because they are focusing on different things in the different statuses. As a result of the changing legitimacy judgments, we have named the three statuses according to what the customer is focusing on in that specific status. The statuses, and which mechanisms were appreciated in each of them will be described in more depth below.

In status 1, three different types of mechanisms were appreciated by the customers, which might indicate that they accepted a range of legitimacy mechanisms in the legitimation process. Serving as a basis for their legitimacy judgments, it seems that the *customers only needed a reason to give the new venture a chance*. The authors therefore suggest that the NVs had to answer the question of "*Who are you?*": they had to explain to the customer why the NV should be regarded as somewhat legitimate, i.e. apply legitimacy mechanisms that acquired them some initial legitimacy. By answering the question through the use of mechanisms, the NVs would acquire the necessary legitimacy in status 1, thereby contributing to the conversion to status 2.

In status 2, the mechanisms that were positively perceived by the customer were focused on experience and/or impression management. That might indicate that the customers focused their legitimacy-judgement towards the competencies of the new venture, i.e. the entrepreneurs background or alleged background. Serving as a basis for their legitimacy judgments, it seems that the *customers needed to believe in the entrepreneurs' background or alleged background.* The authors therefore suggest that the NVs had to answer the question of *"Why you?"*: the NV had to prove that they are the right people to fulfil what they've set out to do, thereby arguing for their own abilities, e.g. through personal background or impression management. By answering the question through the use of mechanisms, the NVs would acquire the necessary legitimacy in status 2, thereby contributing to the conversion to status 3.

In status 3, the mechanisms that were appreciated by the customers were specified towards relationship-building and product deliverables. That might indicate that the customers focused their legitimacy-judgement towards the relationship with the new venture, as well as their execution capabilities. Serving as a basis for their legitimacy judgments, it seems that the *customers needed long term belief in the relationship.* The authors therefore suggest that the NVs had to answer the question of *"Why us?"*: the NV had to prove that they fit well together with the customer on a long-term basis, thereby arguing for their common relationship. By answering the question through the use of mechanisms, the NVs would acquire the necessary legitimacy in status 3, thereby contributing to the conversion to first sale.

4.2.7.5 Process model

Based on the analysis and our findings, the authors have developed a process model of legitimacy-building towards a new venture's first customer. The model presents the different customer judgements from initiation of relationship to first sale and suggests how the use of mechanisms may lead to acquisition of new venture legitimacy.

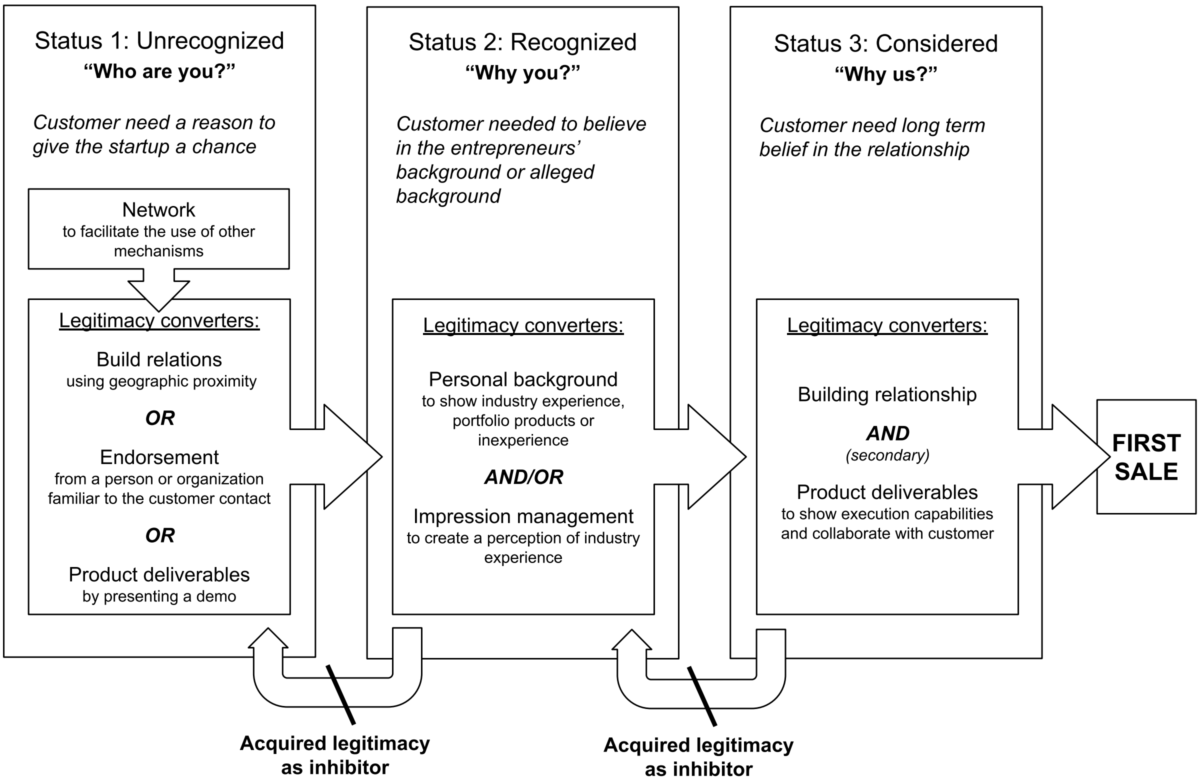

Figure 4.1: A suggested process model of legitimacy-building using mechanisms towards a new venture's first customer.

As a basis for the model are the three statuses: unrecognized, recognized and considered. Because we acknowledge the customer as the legitimacy proprietor, the authors have chosen a customer-based perspective when describing the process, and the statuses are used to describe how the customer perceives the relation. Each status has therefore been given a name and description, meant to summarize what the customer focuses on in the relationship and their legitimacy judgements. Furthermore, the legitimacy converters for each status are defined, i.e. the most important legitimacy mechanisms contributing to the conversion between statuses.

The new venture moves towards a first sale, left-to-right. The authors have identified different mechanisms which may contribute to moving the relationship from status to status by building legitimacy. Employing mechanisms that the customer appreciates may help the new venture to convert the relationship into the next status. For each status obtained, the customer judgement changes, and a new combination of legitimacy converters may be needed to convert to the next. It is likely that building legitimacy happens sequentially, using a varying combination of mechanisms until the first sale is reached. However, the status model also suggests that a new venture might revert to an earlier status, i.e. moving towards left in the process model. Here, we suggest that the acquired legitimacy might inhibit the losing of status.

5 Discussion

In this study, we found that the entrepreneurs seemed unable to predict which mechanisms were important in each status of the legitimation process. This builds on previous research, suggesting that entrepreneurs may not know how to interact with an audience to acquire legitimacy (Drori et al., 2009). However, we find a pattern in which legitimacy mechanisms were deemed legitimizing in different statuses. We extend on previous research on legitimacy judgements, which states that legitimacy judgments are formed, used and reassessed in a cycle, and thereby develop and change over time (Tost, 2011), by suggesting that the customer's judgement changes throughout the legitimation process. Furthermore, by building on research suggesting that each message an audience receives serves as a cue to evaluate whether the judgement is correct (Rao et al., 2001; Tost, 2011; Bitektine and Haack, 2015), we suggest that mechanisms might be used to meet these changing legitimacy judgements. As a result, our findings have provided insight into which mechanisms that might be successfully applied towards the customer to acquire legitimacy throughout a legitimation process.

With reference to the process model proposed in this thesis, this chapter will further discuss our contribution to the literature. To shed light on mechanisms' importance in legitimacy-building, the discussion will be based upon the aggregated dimensions, seen through a process-perspective. Our process-oriented approach helps explain how the customers – who also are the legitimacy proprietor – change their reasoning as the legitimation process unfolds, and which mechanisms that fit the customers' reasoning. The discussion will therefore be based upon each status, and its respective customer reasoning: "Who are you?", "Why you?" and "Why us?".

5.1 Status 1: Who are you?

Our findings suggest that legitimacy judgments were somewhat unspecific in status 1, and a variety of mechanisms seemed to have been appreciated by the customer. The findings seem to resonate well with the description of the status model by Edvardsson et al. (2008, p.344), which suggests that it "might not be difficult for a seller to become recognized". Furthermore, Edvardsson et al. (2008) suggests that the venture should focus on displaying their basic service offering (e.g. product deliverables) to become more interesting than the competitors. We build upon this, and suggest that during status 1, the new venture must give the customer a reason to give them a chance, by answering the question of *"who are you?".* In order to answer the question and become recognized by their customers, the authors found that new ventures may direct their focus towards employing legitimacy mechanisms concerning relationship building, product deliverables or endorsements.

While the existing legitimacy literature often refers to the latter as networks (Aldrich and Fiol, 1994; Deeds et al., 1997; Oliver, 1990), suggesting that new ventures become legitimate by being identified with other established actors, the authors argue for a greater distinction between network and what the literature defines as endorsements (Zimmerman and Zeitz, 2002; Stuart et al., 1999; Becker-Blease and Sohl, 2015). Like the above-mentioned scholars addressing networks as an important resource for new ventures, we find that the aggregated dimension of network revolves around who the new ventures are associated with. However, we find that endorsements are somewhat different, because it requires an action from the associated organizations or institutions: they need to display that they vouch for the new venture by committing resources such as time, financial support or their reputation. In other words, the authors argue that it is not enough to only have affiliation to other actors for the customer to perceive it as a favourable mechanism, but the actors also need to demonstrate their belief in the venture. As such, we support the arguments of Zimmerman and Zeitz (2002) who argues that endorsement is a favourable opinion given by one organization to another, and suggests that networks, given the appreciation by the customers, should be viewed as a facilitator towards other legitimacy mechanisms in the early stages of the legitimation process.

Furthermore, we found that the most valuable endorsements came from a person or organization familiar to the customer, and were somewhat independent of the prestige of the endorser. Often, the endorser had an affiliation to the customer. As a result, it appears as though the relationship and trust due to affiliation between the two actors played a more important role than the level of prestige of the endorser. As such, we give a more nuanced view than the arguments of Stuart et al. (1999) who argue that due to the lack of information about the quality of new ventures, audiences rely on the prestige of the new venture's affiliations to make their legitimacy judgments.

Our findings also suggest that mechanisms related to building relationships gradually evolve throughout the legitimation process, and might support the new venture in receiving positive legitimacy judgment from their customers. Our data suggest that building relationships might be deemed positive by the customer as early as status one: if there exists geographic proximity between the new venture and their customer. Such findings supports the claims of (Suchman, 1995; McKnight and Zietsma, 2018) as they regard geographical location to have an influence on new venture legitimacy. With reference to our model, one can argue that having a connection to local industry in proximity to the customer lowered the new ventures' need to demonstrate "*who are you?*", as they already had proximity to their audience. This enabled them to initiate the relationship-building from an early stage and become recognized. As such, the findings build on the previously discussed importance of geographical proximity as a way to become recognized.

Furthermore, we find that new ventures might display product-specific mechanisms to become recognized, i.e. product deliverables. According to institutional theorists, new ventures are able to acquire legitimacy by achieving certain levels of performance (Dimaggio and Powell, 1983). However, this relates more to the organizational structure itself rather than the product or innovations delivered by the new ventures. Building on this notion, Fisher et al. (2017) presents organizational structures and achievement of success as mechanisms new ventures may employ in order to build legitimacy towards their audience. In addition to highlighting factors such as external validation and leader's background, Fisher et al. (2017) includes reported achievements or perceived development progress as a way to gain legitimacy. Furthermore, Mollick and Robb (2016) suggests that developing and demonstrating a prototype is a way for new ventures to establish legitimacy towards their audience. As such, our findings support the claims of both Fisher et al. (2017) and Mollick and Robb (2016). However, we add to this knowledge by indicating that these types of mechanisms should be applied as early as possible. Such implications might indicate that showing what you have got from an early stage contributes to what the legitimacy literature refers to as sensemaking (Navis and Glynn, 2010), supporting the customer in understanding the new venture's innovation answering the question of "*who are you?*", thereby progressing the legitimation process.

5.2 Status 2: Why you?

Our findings suggest that the entrepreneurs' background or alleged background were regarded the most important by the customer in status 2. This builds upon Edvardsson et al. (2008), which also regards trust in the seller's competence as an important converter between all statuses. Furthermore, the informants in Edvardsson et al. (2008) also found competence especially important in the conversion between status 2 and 3, stating that *"the seller has to show some kind of unique competence compared to competitors. In order to get into the mental shortlist the new seller has to give an impression of reliability and competence."* (Edvardsson et al., 2008, p.334). We build upon this, and suggest that during status 2, the customers need to believe in the entrepreneurs' background or alleged background, thereby answering the question of *"Why you?".* In order to answer the question and become considered by their customers, the authors found that new ventures may direct their attention towards employing legitimacy mechanisms displaying personal background or compensating for the lack of it through impression management.

In status 2 of the legitimation process, we find that the focus of the customer is to establish *"why you?"*: why the new venture has the right people to fulfil what they've set out to do, i.e. whether the entrepreneurs has the right competencies. This resonates well with Packalen (2007), who argues that it is often the founder(s) attributes that confer legitimacy upon the venture in their nascent phase. Furthermore, Nagy et al. (2012) finds that the entrepreneur's background, education or previous experiences function as cues that signal to the audience that the entrepreneur is conforming to industry expectations, which is important for legitimacy. We build on this, by finding that the new venture needs to establish itself as a relevant partner for its customer, either by emphasizing the experience of its team members, or by showing its adherence to industry norms and expectations through impression management mechanisms.

Much of the existing literature focuses on the importance of the leader's background as a mechanisms for legitimacy (Packalen, 2007; Tornikoski and Newbert, 2007). It shows that the more previous industry, entrepreneurial or managerial experience the founder has, the more legitimacy the company starts with (Packalen, 2007; McKnight and Zietsma, 2018). Interestingly, our analysis showed that it was mainly industry experience which had a positive impact on new ventures' legitimacy. Startup experience had no influence on the legitimacy evaluations of the audience, and technology experience was mainly important in one case, as will be discussed more below.

The importance of experience is a much-debated topic in the literature, where several studies have explored the effect of experience on legitimacy building. For example, studies have shown that the experience of the top management team is connected to the value of a firm in an initial public offering (IPO) (Cohen and Dean, 2005), and that investors see previous experience from the industry as the main determinant of the future success of the new venture (Hall and Hofer, 1993). Carpentier and Suret (2015) found that inexperienced entrepreneurs' proposals were much more likely to be rejected by angel investors than experienced entrepreneurs' proposals. These results indicate that one would expect audiences to react less favourably to inexperienced entrepreneurs, as it increases the liabilities of newness. Although our research confirms the importance of experience in legitimacy building towards the first customer, it also suggests that the role of experience is much more ambiguous and multifaceted than previous research suggests.

If previous experience is a predictor for legitimacy, we would expect that the "liability of newness" (Stinchcombe, 1965) could be quite a challenge for some of the entrepreneurs we interviewed. Especially since several were recent graduates and had no previous industry or entrepreneurial experience. However, as posited in our analysis, we found that half of the customers found the entrepreneurs' lack of experience and young age to be an asset rather than a disadvantage. This is because they associated it with new ways of thinking and not being hampered by ingrained industrial dogmas. This indicates that the role of the founder's experience may be more nuanced than previously discussed in literature. Contrary to existing research and what one would believe, our findings imply that inexperienced entrepreneurs can try to benefit from the positive aspects of having less experience. As such, we contribute to the literature by expanding the knowledge of how experience is evaluated by customers, by identifying that customers can view inexperience as a benefit because it is associated with innovation and new ways of thinking.

Our findings could support the research of Haveman et al. (2012), who found that the salience of the entrepreneur's characteristics, such as educational background, occupation and geographic location decreased as a new industry became more consolidated and gained legitimacy. All the new ventures in our sample attempted to enter industries that were already well-established. As a result, it is possible that the new ventures' demand for legitimacy – and therefore also experience – might be lower. Because the industries were well-established and had legitimacy in and of themselves, it may be that the focus was less on new ventures conforming to industry norms and expectations, and more on innovation and contributing with new ideas not previously seen.

As mentioned in the beginning, inexperienced entrepreneurs used impression management mechanisms such as conforming to industry norms and having industry know-how and lingo to make up for their lack of experience. Impression management is the form of legitimacy mechanism that has been researched the most (Fisher et al., 2017). Despite the focus on this group of mechanisms in the existing literature (Nagy et al., 2012; Clarke, 2011; Bansal and Clelland, 2004; Parhankangas and Ehrlich, 2014; Bolino et al., 2008; Kibler et al., 2017; Lounsbury and Glynn, 2001), we found that the relative impact of these mechanisms on the customer's legitimacy perception was limited. As our model shows, impression management may function as a converter from status 2 to 3. Because of the prevalence of impression management in the existing literature, one would expect that it would be used often and with good results by the new ventures. However, our findings suggest that the only mechanisms which the customer appreciates are mechanisms in the category of personal level impression management, and then it is mainly to signal that the entrepreneur is conforming to industry norms, have industry know-how and adhere to the right lingo despite their inexperience. As such, our findings support the ideas of Nagy et al. (2012) and Bolino et al. (2008), suggesting that impression management provides individuals with the opportunity to create organizational outcomes. Interestingly, we see that through impression management, inexperienced entrepreneurs are trying to mimic the only type of experience that had any real impact on the customers, namely industry experience.

On the other hand, impression management mechanisms on a company level do not make any significant impressions on the customer. This could be because in the beginning of a new venture's development, it is often the characteristics of the founder rather than the venture that lead to legitimacy (Packalen, 2007). Customers may not be as susceptible to impression management mechanisms related to the company, because its lack of track record shifts more focus onto the founders as a source of legitimacy. As a result, our findings indicate that founders should focus more on themselves and their own capabilities when using impression management as opposed to trying to emphasize the professionalism of the company, because the customer is more receptive to these mechanisms.

5.3 Status 3: Why us?

Our findings suggest that the execution capabilities and the personal relation with the customer were the most appreciated mechanisms by customers in status 3. This builds on Edvardsson et al. (2008), who found that people were important in upholding and converting the status, stating that "trusted persons are risk-reducing factors" (Edvardsson et al., 2008, p.345). Furthermore, we found that collaborations and personal connection were important, resonating well with the findings of Edvardsson et al. (2008), which states that showing interest by communicating regularly and that the building-up of personal relationships were important. We build upon this, and suggest that during status 3, the customers need long term belief in the relationship with the new ventures, which might be achieved by answering the question of *"Why us?".* In order to answer the question and acquire the first sale, the authors found that new ventures may direct their attention towards employing legitimacy mechanisms displaying product deliverables and building relationships.

In contrast to other affiliation theories which emphasizes new venture's social connections to other prominent organizations, individuals or institutions (Fisher et al., 2017; Baum and Oliver, 1991; Zimmerman and Zeitz, 2002; Certo, 2003; Haveman et al., 2012), our study relates to more emotional aspects of relationship building as the customer's legitimacy judgment revolves around affectionate mechanisms such as honesty, trust and being personable. This builds on previous legitimacy research, recognizing the importance of social connections: Starr and MacMillan (1990) recognize that friendship can be leveraged in order to obtain resources, Stinchcombe (1965) argues that relationships are an important factor influencing new venture legitimation, while Arrow (1974) claims that social ties are an important lubricant to all economic transactions.

As such, our findings suggest that individual characteristics of the founder is a central part when legitimating new ventures, as the customer's legitimacy judgment revolves around mechanisms related to personal traits. Scholars have emphasized charismatic leaders' abilities to appeal a common bond to their audience, e.g. customers, by using symbolic management as a way of appearing trustworthy and legitimate (Aldrich and Fiol, 1994; Zott and Huy, 2007). In addition, as mentioned above, Packalen (2007) argues that the entrepreneurs' characteristics often result in legitimacy for the venture, supporting the claims of Johnson et al. (2006), who argues that legitimacy is a source that is mediated by the perception and behaviours of individuals.

Similar to building relationships, our findings suggest mechanisms related to product deliverables recurs in the later stages of the legitimation process, as it is highlighted by the customer as an important of their legitimacy judgment when answering the "why us" question. Contrasting to status 1, product deliverables in status 3 had to do with pilot projects, product trials and showing ability to deliver.

The importance of product deliverables is a much-debated topic in the literature, where several studies have explored the impact of company performance on legitimacy building. For example, studies have shown that a venture's ability to acquire financial support at an early stage is associated with their ability to complete prototype-related milestones and showcase product proof points to their audience (Pahnke et al., 2015). Hence, if a venture seeks to acquire legitimacy, they need to report on the achievement of such milestones (Steier and Greenwood, 1995). In other words, new ventures is dependent on demonstrating the value of their ideas, e.g. their innovations and execution capabilities, as it is unproven to audience holding the needed resources (Delmar and Shane, 2004).

Limiting their research to investors, the above-mentioned scholars (Pahnke et al., 2015; Steier and Greenwood, 1995; Fisher et al., 2017) relate such milestones to venture growth parameters, as this is what that specific audience group values. Our finding, however, indicates that milestones from a customer perspective are more related to the product itself, supporting the claims of scholars suggesting that different audiences have their own distinct reasonings (Thornton et al., 2012; Fisher et al., 2017). With this in mind, we suggest that new ventures seeking to build legitimacy towards their customer should focus on connecting their activities to product specific achievements and attempt to enter collaborative partnerships such as pilot projects as this creates a platform to display their abilities.

By combining a fine-grained exploration of mechanisms with the customers' reasoning, the authors provide novel insights into how various mechanisms work across in order to be appreciated by the customer. We find that product deliverables are significant in the formation and development of what the authors have defined as collaborative partnerships. Such collaborative partnerships enable the customer to become involved in the development of the new venture offerings, strengthening the relationship between the two parties, which seemingly is appreciated by the customers.

5.4 Summary of discussion

To summarize, the authors argue that the customers reasoning, and judgment of the legitimacy mechanisms employed by new ventures changes throughout the legitimation process. Building on Fisher et al. (2017)'s statements of how different investors holds dissimilar institutional logics, our research portrays how one particular audience group seemingly can adopt several logics depending on where in the legitimation process the relationship is situated. This brings implications for new ventures searching to become legitimate. With reference to our proposed model, which once again is presented below, the authors suggest a handful of mechanisms that new venture should focus on in each status in order to acquire legitimacy. The authors also suggest how such mechanisms might work in collaboration to receive a positive legitimacy judgment by the customer. By developing a fine-grained picture of the legitimacy mechanisms, the authors also provide novel insights into specific mechanism that were used. Firstly, refining the existing knowledge on network (Oliver, 1990; Aldrich and Fiol, 1994; Zimmerman and Zeitz, 2002) the authors calls for a clearer distinction between endorsements and networks, suggesting the latter mainly function as a facilitator for other mechanisms to be used. Secondly, the authors argue that also inexperience, when used in collaboration with other mechanisms, might contribute to a positive legitimacy judgment from the customer.

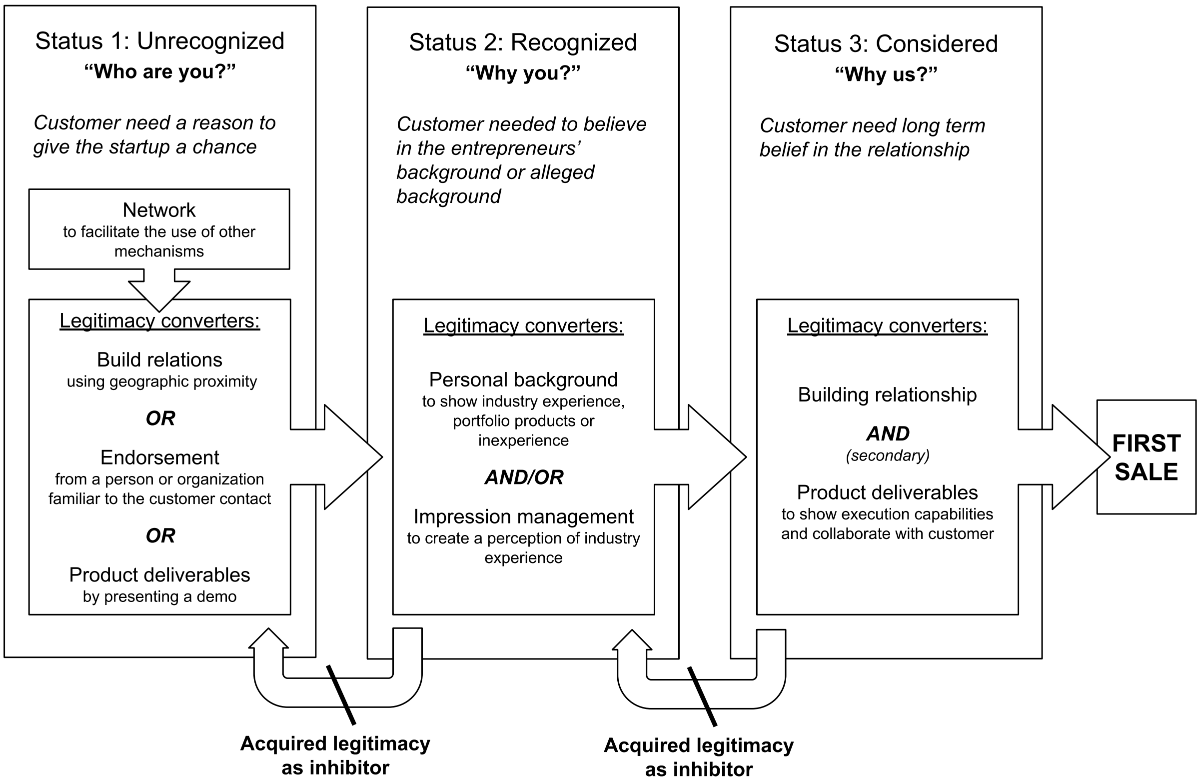

Figure 5.1: A suggested process model of legitimacy-building using mechanisms towards a new venture's first customer.

6 Conclusion

The purpose of this study was to explore how legitimacy is built towards a new venture's first customer in order to reach the first sale. The study was conducted as a multiple case study, where 6 new ventures and their customers participated in semi-structured interviews. The goal of our research design was to explore the new venture's legitimation process towards their first customer, and their customer's perception of this process. The analysis was done using the Gioia method (Gioia et al., 2013) as a tool and consisted of a within-case analysis and a cross-case analysis.

The master thesis sought to answer the following research questions:

> ***RQ1:*** *How are legitimacy mechanisms used by new ventures to build legitimacy towards their first customer?*
>
> ***RQ2:*** *What legitimacy mechanisms do corporate customers deem legitimating?*

In our introduction, we identified three gaps in the literature on legitimacy, which we have addressed in this study. First, there is a lack of understanding of the variety of mechanisms applied by new ventures, and how these are evaluated by their audience in the literature. After exploring both the new venture and their customer's perception of the legitimation process, we found that there is not always concurrence between the mechanisms the new venture employs to build legitimacy, and what the customer perceives and finds important. As a result, new ventures seemingly spend considerable time and effort in applying mechanisms that build little legitimacy, thereby possibly delaying the potential progression of the relationship.

Second, no studies have addressed when different mechanisms are used and how they are perceived during the legitimation process. Our findings suggest that customer judgement changes throughout the legitimation process. As such, the authors argue that the customer may appreciate different mechanisms in different statuses of the relationship, as illustrated by our process model of legitimation towards customers. In the first status, the customer "only" needs a reason to give the venture a chance, suggesting that new ventures should focus on employing mechanisms aimed at showing that they are to be regarded as somewhat legitimate. The customer reasoning in the second status is a bit more demanding, as the customer needs a reason to believe in the competencies of the people associated with the new venture. As such, the authors argue that the customers' reasoning becomes more demanding as it shifts from only needing a reason to give the new venture a chance to examining the individuals within the new venture. In the last status, the customer shifts from only examining attributes about the new venture to incorporating themselves in the judgment as they search for a long-term belief in the relationship. With a basis in the customer reasoning and judgment towards the legitimacy mechanisms employed by the new ventures, the authors provide novel insights into which mechanisms new ventures could benefit the most from when progressing through the legitimation process. With reference to our model, the authors suggest that new ventures should focus on applying mechanisms that answer the customer judgements of "who are you", "why you" and "why us".

Third, there is limited knowledge about legitimation towards different audiences, as the focus in the extant literature has mainly been on investors. After discussing our findings, we find that our study diverges from existing literature in several different areas. For example, we find that contrary to existing literature, customers may appreciate founders' inexperience, and that the role of interpersonal relationships plays a very important role in securing the first sale. These findings go against extant legitimacy literature and may suggest that customers' institutional logics differ from investors' institutional logics to such a degree that it is necessary to conduct more research on this audience group.

6.1 Implications for new ventures

Our findings suggest that new ventures have much to gain from focusing on building a personal relationship with the customer representative. As a new entrepreneur, it might be tempting to think that you must have an answer to everything and to use impression management mechanisms to portray yourself as very confident. However, we found that personal attributes such as humility and honesty were attributes that customers said were highly appreciated. Therefore, you should consider entering into the relationship with a humble attitude and a collaborative mindset, which are factors that contributed to the success of the new ventures we talked to.

Our findings also indicate that industry experience is the type of knowledge which is the most appreciated by customers, whether it is through actual experience, or conveyed by inexperienced entrepreneurs through impression management. As an entrepreneur, you should therefore focus on showing your industry experience to build legitimacy. Additionally, contrary to previous research, our findings suggest that although legitimacy can be increased by showing industry know-how and using industry lingo, many customers also appreciate young entrepreneurs' inexperience, because they are associated with innovativeness and new ways of seeing things. As such, as an inexperienced entrepreneur, you may not benefit as much from hiding your inexperience as you might think. Rather, you may benefit from showing your lack of experience, as it enables you to find new solutions unhampered by industrial dogmas and entrenched thinking. Although this needs more research, our findings indicate that this strategy may work if you are not pursuing a highly technically complex product or service, as this seems to increase the demand for experience.

6.2 Areas for future research

Through our research, we have found several findings which could be interesting to conduct future research on. Although we have indications of what mechanisms customers appreciate, we cannot say anything about the true effect these mechanisms have had in relations to one another. Therefore, we suggest that a future area of research could be to measure the effect of these mechanisms through quantitative studies.

Additionally, we have found that being an inexperienced entrepreneur is less of a liability than one would have reason to expect, at least in the eyes of the customer. This is in contrast with previous literature on the topic, which finds that inexperienced entrepreneurs face more challenges than experienced entrepreneurs, for example in that their proposals are more likely to be rejected by angel investors compared to experienced entrepreneurs' proposals (Carpentier and Suret, 2015). So, despite the research stating that inexperienced entrepreneurs may be at a disadvantage with some audience groups, our findings suggest that some customers associate inexperience with positive features such as innovativeness and new thinking. Therefore, we believe an important contribution to our understanding of legitimation could be to compare how experienced and inexperienced entrepreneurs attain legitimacy towards different audience groups.

Lastly, our study has only focused on entrepreneurs who managed to get their first sale with a corporate customer, not those who failed. As a result, we have learned a lot about what legitimacy mechanisms are appreciated by the customer. However, because of the success of the new ventures in our study, we did not learn much about mechanisms that have a negative impact on the legitimacy evaluation of the customer, or if those who failed used the same mechanisms. We believe that it would expand the knowledge about the legitimation process if we gained more information not only about what builds legitimacy, but also about what does not. Therefore, we suggest exploring the legitimation process of new ventures who fail to attain their first customer.

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8 Appendix

8.1 Appendix 1: Description of legitimacy mechanisms, based on Fisher et al. (2017)

Table 8.2: Overview of legitimacy mechanisms as described by Fisher et al. (2017)

Mechanism	Description	Scholars
Storytelling	Creation of an appealing and coherent story that enables the entrepreneur to direct the attention of recourse holders to the NV in an otherwise complex environment.	Lounsbury and Glynn (2001), Aldrich and Fiol (1994), Garud et al. (2014), Navis and Glynn (2011), Nagy et al. (2012), Ruebottom (2013)
Sensegiving	By communicating emotionally charged metaphors the entrepreneur seeks to broadcast the NV vision or mission in order to gain the audience support, enabling access to their resources.	Hill (1995), Navis and Glynn (2010)
Impression management	A process that is defined as any behavior enacted to create, control, or alter an image of oneself held by a target audience by regulating the information that is presented about people or their organizations	Nagy et al. (2012), Zott and Huy (2007), Benson et al. (2015), Clarke (2011), Bansal and Clelland (2004), Parhankangas and Ehrlich (2014)
Analogies and arguments	By verbally drawing similarities between the NV and other more known cases and experiences, the entrepreneurs are able to familiarize themselves thus reducing the uncertainty for relevant stakeholders. The goal is to convey relationships to already understood concepts and through this facilitate a construction of meaning towards the NV.	Cornelissen and Clarke (2010), Van Werven et al. (2015), Pollock and Rindova (2003)
Cultural agency	An interpretive process that conveys a social and cultural meaning by promoting specific forms of legitimacy while undermining other conflicting forms of legitimacy	Drori et al. (2009)
Collective framing	By using various strategies, the new venture seeks to influence the audience's perception of their company. The goal is to transform the view of the venture from "something new" to a matter of course by making sense of their new and unfamiliar technology.	Rao (2004)
Symbolic action	Containing both an intrinsic and symbolic dimension, symbolic actions seeks to convey subjective social meanings with the purpose of controlling attributes formed by others. An action is only symbolic if the meaning of it is culturally specific and the receiver are able to decode the message in its this particular cultural milieu.	Zott and Huy (2007)

Organizational ties	Being identified with established organizations can provide the NV with legitimacy as it lends resources such as credibility, contact, and support from the more established "partner". Such partnerships build a positive image of the new venture as it "piggybacks" on the legitimacy of the established organization	Zimmerman and Zeitz (2002)
Top management ties	Suggest that having a board of directors can play a symbolic role and thus influence the NV beyond the well-known tangible activities. Having a board member that are well known in the context of the industry can provide the NV with legitimacy, leading to access to necessary resources.	Certo (2003)
Individual ties	Individual ties argue personal social networks is often the most valuable asset that founders can provide for their emerging firms as social connections is widely recognized as an important means through which organizations can acquire legitimacy.	Packalen (2007)
Internal milestones or structure	As gaining legitimacy is process, a NV should create performance related milestones in order to gain it. However, these milestones should not focus on performance related parametric such as sales of profit, but rather target the assembly of resources in the company. As resource holders also want assurance that their commitments are not being wasted, the establishment of milestones can function as a proof that the organization will be managed them in some rational way	Choi and Shepherd (2005), Delmar and Shane (2004)
Leaders' background	Argues that legitimacy conferred by resource gatekeepers will be a function of the credibility of the lead entrepreneur's personal characteristics. Such characteristics includes education, general work experience human capital and industry-specific know-how	Packalen (2007)
External validation	Suggests that certification is a process were central institutional actors with authority or status, such as DNV-GL, formally acknowledges that a venture meets a particular standard.	Sine et al. (2007)

8.2 Appendix 2: Interview guide, New Ventures

NTNU School of Entrepreneurship, spring 2020

By Thomas Hesselberg, Anne Moa and Jakob Nelvik

Form: Two of the authors meet the respondent. One (lead interviewer) is responsible for asking questions and driving the conversation forward. The other author is responsible for technicalities such as audio and time recording in addition to taking notes. The interviewer listens actively and notes any keywords with regard to follow-up questions during the interview. Both authors can ask follow-up questions along the way, with the co-author being responsible for creating an overview. The interview concludes with an oral summary before asking the interview for any clarifications.

1. FRAMING: Staging the interview (approximately 10 minutes)

- **Informal conversation**
- **Information about the project**
    - **"**We are three students at NTNUs Entrepreneurship School who want to research how startups acquire their first customer, and what kind of activities/factors that contributed to succeeding with reaching the first commercial sale.
    - In order to find out more about the determining factors behind successful first-customer acquisition, we talk to various new ventures and their first customers within different industries. We talk to people within these companies who have been directly involved in the sales process e.g co-founders, sales directors.
    - Inform interview who will be the lead interviewer and who will be in the more secluded role
- **Information about the ethical aspects**
    - Ask for permission to record and transcribe
    - Ensure anonymity: information will not be traced back to the informant.
    - Confidentiality: All students and researchers involved in the study have a duty of confidentiality
    - Ensure the data will only be stored anonymously
    - Inform that the informant may cancel the interview at any time
    - Inform that the informant and can withdraw from the study at any time.
    - Can contact the authors afterwards to access the data about yourself.
    - Do you have questions or is something unclear?
    - Start recording
    - Informed consent: I would like to ask you to say your name, date, and that you agree to be part of this research project
- **Information about the collected data**
    - The information will be recorded, transcribed, and stored until the project is finished.
    - The data will be the basis for the master's thesis for the students at NTNU's Entrepreneurship School in the spring of 2020. The results can be used in research articles.

2. MIDDLE SECTION: Staging the interview (approximately 45 minutes)

- **General Information**
- **Regarding the informant:**
    - We want you to tell us about your role in the start-up, prior work and study experience and how you got involved in the venture.
    - Probing questions:
        - What's your academic background?
        - What's your previous work experience?
        - Any other start-up related experience?
        - How has this been relevant towards the venture you are working with now?
        - Describe your role in the start-up?
        - How did you become involved in it?
- **Regarding the new venture and team**
    - We want you to tell us about the startup e.g what it does, which phase it's in, and how long it has existed. You do not need to use names if this is not desirable on your part, we are only interested in what happened.
    - Probing questions:
        - Describe the venture you are currently working in
        - What does it do?
        - What's the business idea behind it?
        - Who came up with the idea/concept?
        - What phase is the startup in? e.g startup, scale-up
        - Describe your role in the start-up
        - How long have you been working there?
        - How many are involved in the venture?
        - How long has the venture existed?
        - If possible, please provide a short description of the other team member involved in the venture?
        - How have their experience/capabilities supported the venture?
- **Establishing timeline**
    - Start by asking the informant to set up an overall timeline from the venture was established until the first sale was conducted. The authors have chosen to define the first sale as; "First commercial sale involving a transaction between the start-up and their counterpart, hereby excluding paid pilot projects collaboration and other unpaid involvements.
    - "We want you to tell us more about the process from founding the venture until you had reached the first sale. You do not need to use names if this is not desirable on your part, we are only interested in what happened. Take us through the timeline from start to finish."
    - Exploratory questions:
        - Describe your first customer
        - How long did it take to acquire the customer?
        - How did you get in contact with the customer?
        - Who initiated the contact?
        - Why did you/they contact you/them in particular?
        - What sparked your/their interest?
        - What did you want to sell?
        - What did they want to buy?

        - Describe your first encounter
        - How did you prepare for the meeting?
        - How often did you have contact until the first sale was conducted?
        - Did the contact change during the process?
        - Who was the driver in your relationship?
        - How did you experience the dialogue with the customer?
        - Did you try to sell to many other customers before you made this sale?
- **Legitimacy mechanisms**
    - In the following section, we would like you to tell us more about what you and the venture did in order to attain customer interest and conduct the first sale
    - Exploratory questions:
        - Describe what you did to convince the customer that they should purchase your product
        - What did you do to maximize the likelihood that they would buy from you?
        - Why do you think they chose to buy from you, and not your competitors?
        - How do you want to present your startup to the customer?
        - What did you do to succeed with this?
        - How have you portrayed your startup to different audiences e.g suppliers, investors?
        - What did you focus on in presentations?
        - Do other people emphasize the same thing?
        - Did you use any contacts/relationships as an argument to get in touch with the customer?
        - Describe the effect that it had?
        - How did it affect your role inexperience to get the first customer?
- **Industry**
    - Exploratory questions:
        - Describe the industry the venture operates in
        - What are the established norms, values and expectations for ventures operating in this industry?
        - What do customers within this industry recognize as a solid supplier?
        - How do your venture fit into such a description?
        - How do you work to be seen as a serious actor within this industry?
        - What have you done to differentiate yourself from competitors and other actors in general?
        - Do you fit in the established industry system or do you see yourself as rebels?
- **Resources**
    - Exploratory questions:
        - What kind of resources have the venture needed in order to achieve the first sale?
        - How have you acquired such resources?
        - Describe the value of having such resources.
- **Relations**
    - Exploratory questions:

        - How have you used your network to attain the first customer?
        - Do you, other team members or the venture have any relations to other companies, governmental institutions or universities?
        - Describe how these relations have been beneficial when acquiring the first customer?
        - How have personal or corporate relations to other companies or personnel supported the venture in succeeding with the first sale?
        - Describe the importance

3. CLOSING (approx. 10 minutes)

- **Round off the interview to summarize and give a short description of the understood timeline**
    - Ask for feedback
    - Clarify misunderstandings
- **Inform that there is no more to ask, and ask the informant if there is anything else they want to say**
    - Is there something we have not asked you about that you want to add?
    - Do you have any questions?
- **Stop audio recording**
- **Ask how the informant wants us to go forward with the customer interview**
    - Should we or they initiate the contact
- **Thanks for the chat and the contribution to our research**
    - Inform them that they can contact you with any questions. Make sure they have the correct contact information
    - Ask if we can contact you the informant if we have something we want to clarify in the future

8.3 Appendix 3: Interview guide - Customers

NTNU School of Entrepreneurship, spring 2020

By Thomas Hesselberg, Anne Moa and Jakob Nelvik

Form: Two of the authors meet the respondent. One (lead interviewer) is responsible for asking questions and driving the conversation forward. The other author is responsible for technicalities such as audio and time recording in addition to taking notes. The interviewer listens actively and notes any keywords with regard to follow-up questions during the interview. Both authors can ask follow-up question along the way, with the co-author being responsible for creating an overview. The interview concludes with an oral summary before asking the interview for any clarifications.

1. FRAMING: Staging the interview (approximately 10 minutes)

- **Informal conversation**
- **Information about the project**
    - "We are three students at NTNUs Entrepreneurship School who want to research how startups acquire their first customer, and what kind of activities/factors that contributed to succeeding with reaching the first commercial sale.
    - In order to find out more about the determining factors behind successful first-customer acquisition, we talk to various new ventures and their first customers within different industries. We talk to people within these companies who have been directly involved in the sales process e.g co-founders, sales directors.
    - Inform interview who will be the lead interviewer and who will be in the more secluded role
- **Information about the ethical aspects**
    - Ask for permission to record and transcribe
    - Ensure anonymity: information will not be traced back to the informant.
    - Confidentiality: All students and researchers involved in the study have a duty of confidentiality
    - Ensure the data will only be stored anonymously
    - Inform that informant may cancel the interview at any time
    - Inform that the informant and can withdraw from the study at any time.
    - Can contact the authors afterwards to access the data about yourself.
    - Do you have questions or is something unclear?
    - Start recording
    - Informed consent: I would like to ask you to say your name, date, and that you agree to be part of this research project
- **Information about the collected data**
    - The information will be recorded, transcribed and stored until the project is finished.

- The data will be the basis for the master's thesis for the students at NTNU's Entrepreneurship School in the spring of 2020. The results can be used in research articles.

2. MIDDLE SECTION: Staging the interview (approximately 45 minutes)

- **General Information**
- **Regarding the informant:**
    - We want you to tell us about your role in the customer company.
    - Probing questions:
        - What's your previous work experience?
        - Any other start-up related experience?
        - How has this been relevant towards the venture you are working with now?
        - Describe your role in the start-up?
        - How long have you been a part of the company?
- **Regarding the company:**
        - Describe the venture you are currently working in
        - What does it do?
        - What's part of the company/operation needed start-up x solution?
        - Which industry does the company operate in?
        - Describe your existing suppliers?
        - Does the company have prior experience of working with new ventures?
            - Describe these experiences/why not?
        - What separates working with start-up companies versus more established players?
- **Information about purchasing processes:**
        - Describe how your company conducts purchasing processes?
        - How many are involved?
        - How long does such a process take?
        - What kind of formalities and requirements that need to be in place
        - Who are the decision-makers? e.g individuals or whole departments.
        - Describe how you work to gather information about the company you are buying from?
        - What factors do you emphasize?
        - Why do you emphasize these?
- **Establishing timeline:**
    - Start by asking the informant to set up an overall timeline from when the company first was made aware of the start-up to the first sale and let them explain the process. The authors have chosen to define the first sale as; "First commercial sale involving a transaction between the start-up and their counterpart, hereby excluding paid pilot projects collaboration and other unpaid involvements.
    - You do not need to use names if this is not desirable on your part, we are only interested in what happened. Take us through the timeline from start to finish."
    - Exploratory questions:
        - How did you first hear about Company X?
        - How did contact with company X occur?

        - How long did it take before you first bought from them?
        - Who initiated the contact?
        - Why did you contact them exactly?
        - Who was the driver in contact with the startup?
        - What did you want to buy?
        - What did you know about the company before?
        - Where have you gotten such knowledge?
        - What was your impression of startup X based on this knowledge?
        - What was the first impression of the startup x when you first met them?
        - How often did you have contact before the sale was completed?
        - What was the content of these interactions?
        - How did you experience the contact?
        - When did you become interested in the company and their offer?
        - When was convinced to buy from the company?
        - When did the actual sale go happen?
        - Describe the determining factors when making the buying decision
        - How much insight / knowledge did you have about the company and your product during the buying process?
        - How has this changed over time? How much insight did you have when you bought?
- **Legitimacy:**
    - Exploratory questions:
        - Describe the important factors in their reviews of buying from a startup company?
            - How do you emphasize these?
        - What factors came into play when you decided to buy company X?
            - Describe any non-product related factors that came into play
        - How did Company X portray themselves?
            - What aroused your interest in startup X?
        - How did this change during the sales-process
        - Were any contacts/relationships used as an argument to convince you?
            - How did this affect your impression of the startup?
        - Did Company X make a sales pitch for you?
            - What was emphasized in this?
            - How did this affect your impression of the startup?
        - What made you convinced to buy?
        - Why did you consider the company legitimate?
        - What did the startup do to convince you to buy from them?
        - Why did you choose to buy from just company X, not a competitor?
        - What do you look for in a supplier?
        - What made the startup to be considered a credible actor?
        - How did they differentiate themselves from competitors and other players in general
- **Experience:**
    - Exploratory questions:
        - How experienced did you experience the startup business?
            - How did this affect your assessment of startup X?

        - What role did the start-up employees have/have not had experience in the industry?
        - What role did the start-up employees have/have not had experience from previous start-ups?
        - What impact did the startup's experience have on their decision?
            - Student Startup: How did it affect their student / inexperienced decision?
- **Relations:**
    - Exploratory questions:
        - Do you know if the startup has any relationship with other companies?
        - Do you know if the startup has any relationship with any government organizations/universities?
        - Do you know if the startup has any relationship with anyone else?
        - Do you know the company's board of directors?
        - Did the startup communicate any of these collaborations to you?
        - How did this alter your impression of the startup?
        - Do you have any relation to any of the employees?
        - Was the new venture X referred to you by any one?
            - How did you experience that?
- **Industry:**
    - Exploratory questions:
        - Describe the established norms, rules and regulations within your industry?
        - Is it important to follow these, and why is it important?
        - How does new venture x fit into these?

3. CLOSING (approx. 10 minutes)

- **Round off the interview to summarize and give a short description of the understood timeline**
    - Ask for feedback
    - Clarify misunderstandings
- **Inform that there is no more to ask, and ask the informant if there is anything else they want to say**
    - Is there something we have not asked you about that you want to add?
    - Do you have any questions?
- **Stop audio recording**
- **Ask how the informant wants us to go forward with the customer interview**
    - Should we are they initiate the contact
- **Thanks for the chat and the contribution to our research**
    - Inform them that they can contact you with any questions. Make sure they have the correct contact information
    - Ask if we can contact you the informant if we have something we want to clarify in the future

8.4 Appendix 4: Declaration of consent

How to attain your first customer:
A multi-case study of building legitimacy towards a new venture's first customer

Dette er et spørsmål til deg om å delta i et forskningsprosjekt hvor formålet er å undersøke på hvordan start-ups bygger legitimitet mot sin første kunde, samt hvordan kunden evaluerer startups sin legitimitet. For å se på hva som bygger legitimitet, snakker vi med forskjellige selskaper om deres erfaringer. I dette skrivet gir vi deg informasjon om målene for prosjektet og hva deltakelse vil innebære for deg.

Formål

Vi er tre studenter på NTNUs Entreprenørskole som våren 2020 skriver en masteroppgave om hvordan oppstartsselskaper bygger legitimitet mot sin første kunde.

Hensikten med denne studien er todelt: å gjennomføre en empirisk studie av hvilke mekanismer nye virksomheter bruker for å få legitimitet fra sin første kunde, og å undersøke om disse handlingene fører til en gunstigere legitimitetvurdering av kundene.

Temaet for masteroppgaven vår er hvordan nye virksomheter bygger legitimitet overfor sin første kunde. Dette danner grunnlaget for forskningsspørsmålene. Vi ønsker å gjennomføre en empirisk studie av hvordan nye virksomheter bygger legitimitet overfor sin første kunde, og hvordan kundene evaluerer mekanismene som brukes av virksomhetene. Spesifikt er vi interessert i handlingene gründere bruker for å få legitimitet, og hvilke typer legitimitet de er i stand til å oppnå.

Dataen som samles inn, vil være grunnlaget for masteroppgave for studentene på NTNUs Entreprenørskole våren 2020. Resultatene kan bli brukt i forskningsartikler tilknyttet legitimitet ved NTNUs Entreprenørskole.

Hvem er ansvarlig for forskningsprosjektet?

Institutt for industriell økonomi og teknologiledelse, herunder NTNUs Entreprenørskole er ansvarlig for prosjektet.

Hvorfor får du spørsmål om å delta?

Selskapene som deltar i denne studien, er funnet gjennom feltarbeid mot ulike oppstartsmiljøer samt egne nettverk som følge av tilknytningen til NTNUs Entreprenørskole. Retningslinjene for utvalgskriteriene for selskapene som deltar i studien er som følger;

- Selskapet stiftet etter 2014 (fra 2015 til i dag)
- Har gjennomført sitt første salg
    - Med første salg mener vi første kommersielle salg og definerer derfor ikke pilotprosjekter, betalte pilotprosjekter, kundeprosjekter eller lignende.
- Første salget har blitt gjennomført for mindre enn 2 år siden.

Alle selskapene som deltar, vil være teknologibasert software og hardware-bedrifter fra ulike sektorer og bransjer.

Hva innebærer det for deg å delta?

Oppstartsselskap:

Hvis du velger å delta i prosjektet innebærer det at du deltar i et dybdeintervju. Dette vil ta deg ca. en time. I første del vil vi stille spørsmål om deg, andre teammedlemmer og selskapet. Etter dette vil vi forsøke å etablere en tidslinje fra selskapsetablering fram til første salg. Den siste delen av intervjuet vil gå med til å stille spørsmål rundt temaer vi finner spesielt interessante basert på den første delen av intervjuet.

Kunde:

Hvis du velger å delta i prosjektet innebærer det at du deltar i et dybdeintervju. Dette vil ta deg ca. en time. I første del vil vi kort komme inn på noen spørsmål om deg, selskapet du representerer samt deres relasjon til oppstart X. Etter dette vil vi forsøke å etablere en tidslinje fra selskapsetablering fram til første salg. Den siste delen av intervjuet vil gå med til å stille spørsmål rundt teamer vi finner spesielt interessante basert på den første

delen av intervjuet. Det er frivillig å delta Det er frivillig å delta i prosjektet. Hvis du velger å delta, kan du når som helst trekke samtykket tilbake uten å oppgi noen grunn. Alle dine personopplysninger vil da bli slettet. Det vil ikke ha noen negative konsekvenser

for deg hvis du ikke vil delta eller senere velger å trekke deg.

Ditt personvern – hvordan vi oppbevarer og bruker dine opplysninger

Vi vil bare bruke opplysningene om deg til formålene vi har fortalt om i dette skrivet. Vi behandler opplysningene konfidensielt og i samsvar med personvernregelverket.

Personene som vil ha tilgang til informasjonen er følgende studenter ved NTNUs Entreprenørskole; Thomas Hesselberg, Anne Moa og Jakob Nelvik.

All personsensitiv informasjon om deg, selskapet du representerer og personer tilknyttet dette vil bli anonymisert (erstattet med koder) før transkribering, og dataene som lagres vil ikke kunne spores tilbake til deg som informant.

Dataen som samles inn, vil lagres på studentenes egne enheter etter samtykke fra veileder. Ettersom intervjuene gjennomføres digitalt, vil også de eksterne tjenestene som Zoom eller Google Teams (avhengig av hva vi bruker) regnes som en databehandler.

Transkribering av intervjuet vil foregå i verktøyet Otranscribe. Lydfilene fra intervjuet vil kun bli lastet opp her under transkribering, og vil bli slettet når transkriberingen er gjennomført.

Utover dette vil vi praktisere adgangsbegrensninger til den lagrede dataene samt føre en adgangslogg for å kartlegge hvem og når personer benytter seg av dataen.

Hva skjer med opplysningene dine når vi avslutter forskningsprosjektet?

Opplysningene anonymiseres når prosjektet avsluttes/oppgaven er godkjent, noe som etter planen er 31.12.2020.

Etter prosjektslutt vil dataen (transkriberte intervjuer) bli oppbevart uten personopplysninger (anonymisering) på ubestemt tid. Formålet med dette er arkivering for senere legitimitetsforskning ved NTNUs Entreprenørskole. De transkriberte dataene vil lagres i Google Drive der kun studentene som gjennomfører denne undersøkelsen har tilgang. Dersom dataen brukes videre vil dette være av doktorgradsstipendiater ved

NTNUs Entreprenørskole, og deltakerne i studien vil bli varslet dersom det gis og hvem det gis tilgang til.

Dine rettigheter

Så lenge du kan identifiers i datamaterialet, har du rett til:

- innsyn i hvilke personopplysninger som er registrert om deg, og å få utlevert en kopi av opplysningene,
- å få rettet personopplysninger om deg,
- å få slettet personopplysninger om deg, og
- å sende klage til Datatilsynet om behandlingen av dine personopplysninger.

Hva gir oss rett til å behandle personopplysninger om deg?

Vi behandler opplysninger om deg basert på ditt samtykke.

På oppdrag fra Institutt for industriell økonomi og teknologiledelse ved NTNU har NSD – Norsk senter for forskningsdata AS vurdert at behandlingen av personopplysninger i dette prosjektet er i samsvar med Personvern Regelverket.

Hvor kan jeg finne ut mer?

Hvis du har spørsmål til studien, eller ønsker å benytte deg av dine rettigheter, ta kontakt med: Behandlingsansvarlig institusjon; Institutt for industriell økonomi og teknologiledelse, NTNU.

Kontaktinformasjon studenter:

Navn; Jakob Nelvik

Epost; jakobjn@stud.ntnu.no

Tlf; +47 476 54 656

Navn; Anne Moa

Epost; AnnMoa@stud.ntnu.no

Tlf; +47 977 40 712

Navn; Thomas Hessenberg

Epost; Thomhes@stud.ntnu.no

Tlf; +47 902 73 600

Kontaktinformasjon veileder:

Navn; Karolina Lesniak

E-post; Karolina.Lesnial@ntnu.no

Tlf; +47 734 13 145

Kontaktinformasjon verneombud:

• Navn; Trond Kongsvik

• E-post; Trond.kongsvik@ntnu.no,

• Tlf; +47 918 97 198

Hvis du har spørsmål knyttet til NSD sin vurdering av prosjektet, kan du ta kontakt med:

- NSD – Norsk senter for forskningsdata AS på epost (personverntjenester@nsd.no) eller på telefon: 55 58 21 17.

Med vennlig hilsen,

Karolina Lesniak	Jakob Nelvik
(Forsker/veileder)	(Student)

Samtykkeerklæring

Jeg har mottatt og forstått informasjon om prosjektet The liability of inexperience:

A multi-case comparative study of building legitimacy towards a new venture's first customer, og har fått anledning til å stille spørsmål. Jeg samtykker til:

- ❑ å delta i intervju
- ❑ å delta i nødvendige oppfølgingsintervjuer
- ❑ at mine personopplysninger lagres etter prosjektslutt, til videre forsknings på legitimitet ved NTNUs Entreprenørskole ved Institutt for Industriell Økonomi og Teknologiledelse.

Jeg samtykker til at mine opplysninger behandles frem til prosjektet er avsluttet

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(Signert av prosjektdeltaker, dato)

8.5 Appendix 5: Summary of tables in within-case analysis

The authors have summarized the different cases' use of mechanisms, and their importance in the legitimacy-building towards the customer in different statuses.

Table 8.1: An overview of the mechanisms used by the new venture and perceived by the customer in all cases (categorized after 2nd order codes) and how much they were appreciated by the customer. H = Highly, M = Medium, L = Low, Blank = Not mentioned.

Aggregated	2nd order code	Status	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6
Building relationships	Personal connection	1	M		H			H
		2	M		M	M	H	H
		3	H		H	H	H	H
	Trust	1						
		2	H	H	M	M	M	M
		3	H	H	H	H	H	H
	Collaborative partnership	1						
		2	M	M	M			
		3	H	H	H			H
Endorsement	References	1						H
		2	L	L		L		H
		3						
	Grants	1	L					
		2	L	L		H		
		3						
	Partners	1			H	H		H

		2	L	L		L		
		3	L	L				
Impression management	Personal level impression management	1						
		2	L	M	M	H	H	
		3				H	H	
	Company level impression management	1						
		2	L		M	L	H	L
		3					H	
Network	Personal network	1	L		L			
		2						
		3						
	Company network	1		L		L		
		2	L			M		L
		3						
Personal background	Technology experience	1					L	
		2	H	L		L		H
		3						
	Startup experience	1						
		2	L		L	L		
		3						
	Industry experience	1					L	H
		2	H	H	H			H

		3	H					
	Inexperience	1						
		2		H			H	H
		3						
Product deliverables	Demos	1	H	H			H	
		2				M	M	H
		3		M	M			
	Pilot project	1						
		2						
		3	H	M	M			
	Product trial	1						
		2						
		3	H		M			H

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