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New Ventures and Their First Customers: The Role of Founders´ Previous Experiences

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Preface

This thesis concluded our Masters of Science degree in Engineering and Entrepreneurship at the Norwegian University of Science and Technology (NTNU). The thesis has been carried out at the Department of Industrial Economics and Technology Management.

First of all, we would like to express our sincere gratitude to our supervisor Dag Håkon Haneberg, associate professor at the Department of Industrial Economics and Technology Management, for valuable feedback, guidance, and encouragement.

Secondly, we would like to thank all the case participants in this study for their time and genuine interest in the study. Their answers and insights have been invaluable for the completion of this thesis.

Finally, we would like to thank Karolina Lesniak, PhD candidate at the Department of Industrial Economics and Technology Management, for holding a guest lecture on new ventures' strategic approach to legitimation at NTNU School of Entrepreneurship. This lecture sparked our eagerness to learn more about strategic legitimation and write this Master´s thesis on the topic.

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Abstract

Entrepreneurs play an important role in developing a sustainable society. They are a driver of economic growth and societal improvement through developing new ventures. Although there is more interest in entrepreneurship now than ever, many new ventures fail by not generating revenue. To generate revenue, a new venture needs customers and thus needs to be perceived as legitimate by the customer. New ventures can use strategic actions to influence their legitimacy, represented by legitimacy mechanisms in this thesis. The existing literature on new venture legitimacy presents a gap in both the area of customer legitimacy and experience as an influencing factor on new venture legitimacy.

The purpose of this thesis is to explore how founders' previous experiences influence the strategic work in attaining legitimacy towards their new ventures' first customers. To do so, a multiple case study of six different cases of buyer-seller relationships was conducted. The data was collected through semi-structured interviews with representatives from both parties in each case. This data was then analyzed using a theoretical framework based on the existing literature on customer acquisition processes, customer legitimacy judgment, organizational legitimacy, and legitimacy mechanisms.

The results revealed that the most impactful factor for new ventures to attain customer legitimacy was the ability to deliver valuable products, making the prior experience less influential than previously assumed. However, prior experience influences new ventures' chances to prove their value and abilities towards more conservative customers. Customer innovation orientations were a beneficial characteristic, especially for inexperienced founders. As the orientation found newness as a beneficial feature.

The thesis found that experienced founders had access to the entire scope of legitimacy mechanisms, while the inexperienced founders did not. However, the inexperienced founders can bypass this barrier through various means. Experienced founders were at an advantage in utilizing legitimacy mechanisms as they communicated them through many more channels. Overall, this thesis has contributed to the current understanding of customer legitimacy judgment and the workings of legitimacy mechanisms. It did so by providing valuable insight into how founders' previous experiences influence the aforementioned topics.

Sammendrag

Entreprenører spiller en viktig rolle i utviklingen av et bærekraftig samfunn og er en driver for økonomisk vekst og samfunnsutvikling, gjennom utviklingen av nye oppstartsbedrifter. Til tross for en økende interesse for entreprenørskap er det mange oppstartsbedrifter som dør på grunnlag av manglende inntekter. Kunder er kilden til inntekter, og for å få kunder må oppstartsbedriften bli ansett som legitim. Strategiske handlinger kan brukes av gründerene for å bygge legitimitet. Disse handlingene beskrives som legitimeringsmekanismer i dette studiet. Den eksisterende litteraturen på oppstartsselskapers legitimitet presenterer et gap rundt både kunders legitimitetsvurdering og erfaring som beskrivende faktor av selskapets legitimitet.

Formålet til denne avhandlingen er å utforske hvordan grunnleggeres tidligere erfaring påvirker det strategiske arbeidet med å anskaffe legitimitet mot en oppstartsbedrifts første kunder. For å undersøke dette ble det gjennomført en flercasestudie av seks forskjellige tilfeller av kjøper-selger forhold. Datagrunnlaget ble samlet gjennom semistrukturerte intervjuer med representanter fra begge parter i hvert tilfelle. Dataen ble analysert ved hjelp at et teoretisk rammeverk basert på eksisterende litteratur om kundeanskaffelsesprosessen, kunders legitimitetsvurdering, organisatorisk legitimitet og legitimitetsmekanismer.

Resultatene viste at de mest virkningsfulle faktorene for at oppstartsbedrifter skal oppnå kundelegitimitet var deres evne til å levere verdifulle produkter, noe som gjør tidligere erfaring mindre viktig enn tidligere antatt. Derimot har erfaring noe å si for selskapets sjanse til å bevise deres verdi for mer konservative kunden. Kunders innovasjonsorientering ble vist å være positivt, spesielt for uerfarne gründere, ettersom orienteringen tydet til å se fordelene av være ny.

Avhandlingen viser at erfarne gründere har tilgang på hele settet med legitimitetsmekanismer. Mens uerfarne gründere ikke har den samme utgangspunkt, kan de omgå disse barrierene på ulike måter. Erfarne gründere ble funnet til å ha en fordel i deres evne til å kommunisere legitimitetsmekanismene ved å benytte flere kanaler. Alt i alt har denne avhandlingen bidratt til den nåværende forståelsen av kundenes legitimitetsvurdering og virkemåten av legitimitetsmekanismer. Den gjorde det ved å bidra med verdifull innsikt i hvordan grunnleggernes tidligere erfaring påvirker de nevnte emnene.

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Abbreviations

B2B	Business to business
NV	New venture
NV#	New venture in case #
C#	Customer in case #
MVP	Minimum-value-product

Chapter 1
Introduction

1.1 Background and motivation

Entrepreneurs play an important role in the development of a sustainable society by creating jobs, driving economic growth and innovation, improving social conditions, and addressing social and environmental challenges (Audretsch et al., 2015; UN, n.d.). They do this through new venture creation and developing new products and services (Audretsch et al., 2015). There is more interest in entrepreneurship and venture creation now than ever. According to (the Bureau of Labor Statistics, 2021), there has been a continuous increase in business registration applications with a mean growth rate of 24% per year. Altho, there is an increase in new ventures established, the failure rate lies around 22% in the first two years and 50% in the first five years (Bureau of Labor Statistics, 2021). For new ventures to have a real impact on society, they would need to survive, prosper, and grow.

For new ventures to survive through the nascent stages, they heavily rely on founders and their ability to attain resources and grow (Cooper and Bruno, 1977; Feeser and Willard, 1990). Despite the increasing interest in entrepreneurship, many new ventures do not generate revenue for many years, and some never do (Fini et al., 2016). In order to generate revenue, a new venture needs customers (Aaboen and Aarikka, 2017). In order to acquire customers, a new venture must be deemed legitimate (Zimmerman and Zeits, 2002; Bitektine, 2011; Tornikoski and Newbert, 2007; Pollack et al., 2012; Starr and MacMillan, 1990). To achieve this, a new venture must overcome “liabilities of newness” (Stinchombe, 1965). A phenomenon describing the risk different actors face when engaging with new ventures due to the threat of early venture failure (Stinchombe, 1965).

The most broadly accepted definition describes 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). A new venture has intrinsic liabilities of newness in the sense that stakeholders in their ecosystem are proposed to greater risk when engaging with new ventures due to a lack of sufficient track record, hence customers can be hesitant in their engagement (Politis, 2005). This perspective views legitimacy as a means of accessing resources in order to resist organizational damnation (Fisher et al., 2017; Zimmerman and Zeitz, 2002).

For founders to attain legitimacy and overcome liabilities of newness, Zimmerman and Zeitz (2002) argue that founders can do so through strategic actions to justify their new venture´s existence. The strategic perspective focuses on "*the ways in which organizations instrumentally manipulate and deploy evocative symbols to garner societal support"* (Suchman, 1995; p.572). They can utilize a set of "legitimizing mechanisms" that are actionable strategies to change the perception different actors have of the new venture (Zimmerman and Zeitz, 2002). Fisher et al. (2017) argue that these mechanisms work differently on different audiences, and they should utilize a strategy on how to gain legitimacy from each critical audience. Überbacher (2014) and Fisher et al. (2017) outlined three sub-categories of mechanisms that can be analyzed both individually and in relation to each other, to better describe the entrepreneurial actions that influence stakeholder legitimacy. Fisher et al., (2016) introduced the argument that different audiences have different norms, beliefs, rules, and procedures for assessing a new venture's legitimacy. Most research in the field of legitimacy has focused on how new ventures can build legitimacy towards investors, while research regarding other audiences has gotten less attention. Fisher et al., (2017) have called for more research regarding legitimation towards customers as they play a make-or-break role in the development of new ventures.

Founders having prior entrepreneurial, managerial, or industrial experience provides entrepreneurs with many skills needed for coping with the liabilities of newness (Lorrain and Dussault, 1988; Shane, 2003). Thus, proposing that experienced founders are greater at attaining legitimacy towards customers. Literature regarding entrepreneurs' previous experience has primarily focused on which types of experience are beneficial to new venture development in terms of opportunity recognition, evaluation, and confidence (Politis, 2005; Colombo and Grill, 2005; Dimov, 2010). Additionally, founders with greater human capital have a positive impact on the ventures' speed, growth, and survival rate (Cooper and Bruno, 1977; Feeser and Willard, 1990). The authors have identified a research gap regarding founders' previous experiences affecting their ability in attaining legitimacy towards a new venture's first customers. Lastly, scholars call for further research on customer legitimacy judgment and the workings of legitimacy mechanisms (Fisher et al., 2017; Überbacher, 2014).

1.2 Purpose of the study

This thesis aims to fulfill the following purpose:

"To explore how founders' previous experiences influence the strategic work in attaining legitimacy towards their new ventures' first customers"

By "strategic work in attaining legitimacy", the authors point to specific actions founders can use to attain legitimacy. Thus, exploring how founders plan and implement legitimacy mechanisms. Additionally, we aim to explore how experience influences both the process and results of this work. To do so, the authors will examine how customers perceive the new venture's implementation of legitimacy mechanisms as legitimacy judgment ultimately lies "in the eyes of the beholder" (Zimmermann and Zeitz, 2002, p416). The author's ambitions are to provide a greater understanding of the effect of founder experience in regard to the legitimation process.

The authors define "new ventures' first customers" as one of the first customers of a commercial product, excluding pilot projects. The purpose is to focus on the early stages of buyer-seller relationships from the new venture being unrecognized by the customer until they complete a commercial sale. As new ventures must overcome the liabilities of newness for a sale to be realized. Thus, leaving this process especially interesting in regards to legitimacy.

1.3 Research questions

As the purpose of this thesis is to explore how founders' previous experience influences both customer legitimacy judgment and the new ventures' usage of legitimacy mechanisms, the authors will base the study on the two following research questions:

RQ1: How does founders' previous experiences influence legitimacy towards their new ventures' first customers?

RQ2: How do founders' previous experiences influence their usage of legitimacy mechanisms?

Research question 1 seeks to explore how and why founders' prior experience can be important when customers evaluate new ventures' legitimacy. Furthermore, the question also seeks to explore the consequences of limited experience, and its influence on customer legitimacy judgment. Research question 2 seeks to further explore founders' previous experience influencing the new ventures' strategic actions to build legitimacy.

Answering these questions will further develop the understanding of how founders' previous experiences influence one critical element in the creation of new ventures. The limited understanding of customer legitimacy judgment of new ventures will be increased, and further, develop the research areas' understanding of new venture legitimacy. Secondly, the study aims to increase the understanding of how founders' previous experiences influence the new ventures' actions when building legitimacy. The two research questions combined will contribute to fulfilling the purpose of the thesis.

1.4 Contributions

This thesis contributes to the new venture legitimacy literature on the following levels; First by including the influence of founders' experience on customer legitimacy judgment, both develop the understanding of new venture customers' legitimacy judgment, and the influence of prior experience. Furthermore, the thesis provides a better understanding of how founders' experiences influence strategic legitimation, and the workings of legitimacy mechanisms, as called for by Fisher et al. (2017) and Überbacher (2014).

1.5 Structure of the thesis

This introduction has emphasized the importance of developing a deeper understanding of customer legitimacy judgment and the influence of founders' prior experience. Chapter 2 provides the theoretical foundation for the thesis, the standing of literature regarding new venture legitimacy, business relationships process, and analytical framework. In chapter 3 the research methodology is presented followed by a within-case analysis in chapter 4. Chapter 5 contains three levels of cross-case analysis, first internally by experience level, then the experienced and inexperienced towards each other. Chapter 6 discusses the findings from the analysis. Finally, chapter 7 contains a conclusion of the thesis, and further research and implications are presented.

Chapter 2

Theoretical background

This chapter outlines the theoretical background used throughout this thesis. The first section presents the customer acquisition process and describes the three phases new ventures go through when engaging in buyer-seller relationships. The second section will present literature regarding organizational legitimacy, including how legitimacy is perceived through various organizational logic. Additionally, this section describes how organizations can adopt a strategic perspective to attain legitimacy. The third section describes legitimacy mechanisms which are strategic actions founders can utilize to attain legitimacy. This section is divided into three subcategories; identity, associative, and organizational mechanisms. The fourth section describes stakeholders' judgment of legitimacy and how different stakeholder audiences judge legitimacy differently. The fifth section goes further into stakeholder judgment presenting literature on how the customer audience judges the legitimacy of new ventures. The sixth section describes how new ventures' performance is influenced by the founders' previous experiences. The last section describes the analytical framework that was used for analyzing the empirical data.

2.1 Customer acquisition process

The customer acquisition process is a subsection in the organizational relationship literature describing the lifecycle of business relationships. Ford (1980) introduced one of the earlier descriptions, by building a non-sequential buyer-seller stage model. The five stages are the pre-relational stage, the early stage, the development stage, the long-term stage, and lastly the final stage. However, Fords (1980) refers to the relationship process between established actors and lacks focus on new venture specific elements. Aaboen and Aarikka (2017), include “newness” in their model describing the initiation process between a startup and larger firms, and use it to describe a degree of asymmetry in the relationship. The keys of the model is unilateral evaluation and mutual understanding of the other parts perspective. Edvardsson et al. (2008) have a broader description of the process, and frame the process into three relationship statuses reflecting the sellers’ position seen from the buyers’ perspective (Edvardsson et al., 2008). The three statuses describe an increased likelihood of leading to an agreement and are (1) unrecognized, (2) recognized, and (3) considered.

2.2 Organizational legitimacy

The phenomena of legitimacy were first introduced by political philosophers, such as Kant, Rousseau, and Hobbs when answering the question of why some individuals or other entities gained approval and others did not (Lesniak, 2022). Weber (1922) further developed legitimacy to describe an entity's source of authority due to alignment to certain meanings, values, and norms that influence the people's choices of whom to give power (Lesniak, 2022). Organizational legitimacy came as an offspring of population ecology, explaining that new organizations reduce potential failure by achieving legitimacy (Hannan and Freeman, 1984). Schuman (1995) presents two dimensions that have dominated how new ventures are perceived as legitimate. The first is based on the institutional perspective, describing how social systems within an environment through the collective influence on what entities are allowed to exist (Scott, 1995). Second, the strategic perspective focuses on "the ways in which organizations instrumentally manipulate and deploy evocative symbols to garner societal support" (Suchman, 1995, p.572). This perspective views legitimacy as a means of accessing resources in order to resist organizational damnation (Fisher et. al, 2017; Zimmerman and Zeitz, 2002).

In the process of defining legitimacy, a wide range of perspectives and attributes vary between notable scholars in the field. From the institutional perspective, Parson (1960) and Dowling and Pfeffer (1975) describe that an organization is deemed legitimate if its actions and behavior are coherent with the expectations of the social system they operate. Hence, by conforming to the dominant norms, values, and beliefs within the organizational environment a new venture can be perceived as legitimate. Dowling and Pfeffer (1975). Conformance to the environment is also addressed by Deephouse (1996) as a result of endorsement by actors within the environment, and acceptance by the environment (Kostova and Zaheer, 1999). Hence, to be perceived as legitimate, new ventures can imitate the actions, values, beliefs, and norms of adjacent organizations within their environment in order to gain legitimacy by association (Sherer and Lee, 2002; DiMaggio and Powel, 1983; Meyer and Rowan, 1977)

Contrary to pure conformity and legitimacy by association the strategic perspective perceives legitimacy as both a competitive resource and a means to attain resources (Zimmerman and Zeitz, 2002). Zimmerman and Zeitz (2002) and Mauer (1971) argue that legitimacy can be obtained through strategic actions to justify the new venture's existence. Based on the institutional theory, Zimmerman and Zeitz (2002) argue that new ventures face strategic choices on either conformance, selecting, changing, or creating new institutional environments. Following this logic, Zhao et al. (2017) argue that new ventures can combine conformance with a level of distinctiveness to separate themselves from the herd, and attain a competitive advantage. Zhao et al. (2017) describe this strategy as optimal distinctiveness, where new ventures can choose to be different enough from peer firms to be competitive, but similar enough to peers to be recognizable.

In the process of defining organizational legitimacy, certain elements are generally included by most scholars within the field. Legitimacy is often a result of perceived acceptance, appropriateness, support, or desirability (Zimmermann and Zeitz, 2002; Schuman, 1995, Parson, 1960; Loundsbury and Glynn, 2001) by the environment or actors or stakeholders within their given cultural or organizational environment (Ubermacher, 2014; Fisher et al., 2017; Hannan and Carol, 1984) that gives the new venture access to resources or capital (Uberbacher, 2014; Loundsbury and Glynn, 2001; Zimmerman and Zeitz, 2002). The definition used in this thesis is the one that appears to be the most accepted by scholars in the field; *A venture is perceived as legitimate if others view it as"desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*" (Suchman, 1995; p574)

To further develop an understanding of new venture legitimacy, a discussion of the source of legitimacy needs to be addressed. In politics, the legitimacy source is with the people's choice (Weber, 1922), for new ventures the source of authority is held by the resource holding stakeholders in its environment (Zimmerman and Zeitz, 2002). Such stakeholders are often customers, suppliers, capital providers, and governmental agencies (Denis, 2004; Hanlon and Saunders, 2007). Überbacher (2014: 674) presents that most prior research on new venture legitimacy either views the audience or stakeholder as an aggregated entity, or views all on an individual level. Fisher et al., (2016) introduce the argument that different audiences have differing norms, beliefs, rules, and procedures for assessing a venture's legitimacy. Building on this, Fisher et al,. (2017) introduce legitimacy judgment as a method of analyzing and understanding how different stakeholders evaluate legitimacy from different perspectives.

2.3 Legitimacy mechanisms

Within the strategic perspective, scholars view legitimacy as an attainable resource, whereas the actions and decisions of the entrepreneur can influence their venture's legitimacy (Zimmerman and Zeitz (2002). Zimmerman and Zeitz (2002) further introduce four strategic choices of gaining legitimacy in an environment, by either; conforming, changing, selecting, or creating a new institutional environment. These are overall strategies and are affected by several external factors, hence this paper will focus on the actionable mechanisms entrepreneurs can utilize outlined by Überbacher (2014) and Fisher et al., (2017). These sub-strategies or mechanisms can be analyzed both individually and in relation to each other, to better describe entrepreneurial actions that influence stakeholder legitimacy (Fisher et al., 2016). This paper will follow the mechanism categories introduced by Fisher et al. (2017), which separate the actionable mechanisms into three groups, identity mechanisms, associative mechanisms, and organizational mechanisms. This paper will focus on the most relevant mechanisms, and the table in Appendix A will summarize each mechanism individually.

2.3.1 Identity mechanisms

Identity mechanisms describe the different strategies of framing and identity claims the new venture can use in order to enhance and manage new venture legitimacy (Fisher et al. 2017). Identity mechanisms include; *storytelling, sensegiving, impression management, analogies and arguments, cultural agencies, collective framing, and symbolic actions (*Fisher et al., 2017). The authors will focus on the most covered and paper-relevant mechanisms are *storytelling* and *impression management.* Stories are a strategy for gaining trust, setting expectations and making stakeholders understand the future necessity of the new venture in order to build legitimacy. However, Garud et al., (2014) present if future narratives and expectations are not met, these stories can have a negative impact on their legitimacy. Impression management describes “behaviors employed to create, protect, maintain, or alter an image of oneself held by a target audience” (Nagy et al., 2012; p. 942). Impression management can be utilized to communicate factors stakeholders positively react to such as their level of preparedness (Chen, Yao, and Kotha, 2009), social competence (Baron and Markman, 2003) and social or experienced based credentials (Collins, 1979; Useem and Karabel, 1986). Nagy and Pollack et al., (2012) introduce three impression management tactics entrepreneurs can use; Ingratiation, to flatter to increase the stakeholders feelings and emotions, self-promotion to highlight one's own performance and accomplishments and exemplifications to associate and portray the venture as an desirable agent of an organization.

2.3.2 Associative mechanisms

The associative mechanisms describe strategies of how relationships and connections with organizations, individuals and other entities can incline legitimacy for new ventures (Fisher et al., 2017). By being associated with credential actors or individual other stakeholders new ventures can "piggy-back" on their associative partners reputation, hence reducing their other actors' expected risk of initiating contact,(Zimmerman and Zeitz, 2002). Such third-party affiliations are argued to be even more important in the early stage of a venture, due to the uncertainties connected to a lack of track-record, relationship with credible actors reduce the uncertainty for other actors (Plummer et al., 2016). Fisher et al., (2017) introduces three levels of network-ties, *organizational, managerial* and *personal* ties. Organizations are often contractual, and based on either alliances, research, buyer-seller-relationship or investments (Alvarez and Barney, 2001; Yang et al., 2014). New ventures can strategically focus on building such ties with opinion leaders and well respected actors within their field to build a high degree of legitimacy (Milanov and Fernhaber, 2009). Such as research institutions, industry leaders, credential investors and respectable incubator programmes can symbolize legitimacy by association and connection(Plummer et al., 2016; Elfring and Hulsink, 2003).

Secondly, Fisher et al., (2017) describes prior top managerial experience, and the associative ties to the founders previous experience and success. Managerial experience has especially proven as a driver for increased legitimacy towards investors (Colombo and Grilli, 2010), where many follow the philosophy of "betting on the jockey, rather than the horse" (Toft-Kehler et al., 2014; p. 454) . However, (Nagy et al., 2012) discusses that previous failure, or unsuccessful deliveries might negatively affect the founders legitimacy. The third associative mechanism regards the founders' individual social network, and Packalen (2007) arguens that it often is the most important asset founders can provide their emerging venture, as social connections is widely accepted as means for gaining legitimacy. Building new social connections to stakeholders will fall under the last mechanism. Johnson et al. (2006), claims that legitimacy is negotiated by the individuals' behaviors and perception, hence to gain legitimacy and access to stakeholders, the new ventures need to gain legitimacy from the individuals within the stakeholder organization. The term "champion" has been broadly used as an external individual supporting the new ventures case (Greene et al., 1999). Gaining personal relationships with such champions in stakeholder organizations is argued to be a critical factor to gain the stakeholder organizations legitimacy (Belousova and Gailly, 2013).

2.3.3 Organizational mechanisms

Fisher et al., (2017) describes organizational mechanisms as the new ventures' organizational conformance to the environment's norms, values and beliefs, and achievements accomplished by their own measures. These mechanisms are divided into *internal milestones and structures, leaders background* and *external validation*s (Fisher et al., 2017). First, internal structures describe how ventures facilitate, structure and organize their knowledge and resources (Meyer and Rowan, 1977). This includes the formal and legal structure of the venture, and may include board, investors, suppliers, routines and human capital, to symbolize organizational legitimacy (Delmar and Shane, 2004). Furthermore, they can gain legitimacy by communicating their ability to follow legal and procedural compliance (Suchman 1995; Palazzo and Scherer, 2006), as some audiences pay attention to new ventures' level of professionalism (Khaire, 2010),. Achievements can be used to visualize momentum and progress (Choi and Shepherd, 2005; Delmarand Shane, 2004; Khaire, 2010). Especially proving continuous product demos and deliverables can be important in b2b (Kirmani and Rao, 2000). However, if the venture delivers a product worse than expected, it can reduce legitimacy (Garud et al., 2014). Product deliverables are a continuous process of legitimizing a venture, especially towards their first customers (Wang et al., 2014). Leaders' experience can symbolize their ability to handle the challenges they face, this is divided into entrepreneurial, industrial, management and educational experience (Nagy et al., 2012). This has been more elaborated on, in a previous section. External validation, suggests that certification is a process where central institutional actors with authority or status formally acknowledges that a venture meets a particular standard (Sine et al., 2007).

2.4 Stakeholder judgment

A new venture must gather resources to survive in its early stages. The new venture must be deemed legitimate by the actors in its environment to generate resource income (Zimmerman and Zeits, 2002; Bitektine, 2011; Tornikoski and Newbert, 2007; Pollack, 2012; Starr and MacMillan, 1990). Scholars in the field of legitimacy call these actors audience groups. The audience groups are viewed as having authority over the legitimization process since they ultimately determine if a new venture is desired, proper, or acceptable (Suchman, 1995). However, judging a new venture on these characteristics is very subjective, and various audience groups have differing opinions on what defines a new venture as legitimate (Überbacher, 2014). Fisher et al. (2017) illustrated this point by demonstrating how different categories of investors deemed varied levels of legitimacy to new ventures. Additionally, Laïfi and Josserand (2016) conducted an empirical study where they found that different audiences make different judgments based on their interests. Continuing on this tangent, Moser et al. (2017) discovered that uniqueness claims were more essential than legitimacy claims for potential employees in a survey of job searchers. More precisely, the new venture's distinct ideology and founders' legitimacy, that is, founders educated at a prestigious university and with professional experience at a known organization, attracted highly inventive employees. This supports O'Niel and Ucbasaran's (2016) argument that founders are frequently portrayed as legitimacy seekers for their new ventures, and that they seek legitimacy through a variety of means.

(a) establishing, based on their values and beliefs, “what matters to me”
(b) focusing attention on their audiences by establishing “what matters to them”
(c) finding a balance between the two - “what matters to me and them.”

As a result, it appears that founders should reflect in order to modify their legitimacy efforts to their audiences without feeling overly constrained (O'Niel and Ucbasaran , 2016). To gain legitimacy, founders must promote their credentials—education, experience, family history, and status—which serve as signals to external audiences that they are complying with stakeholders’ norms and expectations (Nagy et al., 2012). The founders might also use impression management to emphasize certain parts while concealing others to influence audience perceptions (Barsness et al., 2005). However, some of the founders´ efforts to establish legitimacy may step over an ethical line by, for example, telling legitimacy lies, that is, intentionally misrepresenting the facts in a “manner intended to deceive” (Rutherford et al., 2009).

2.5 Customer legitimacy judgment

Legitimacy as a research topic has attracted a considerable interest in recent years. However, the majority of the literature focuses on obtaining investment and establishing legitimacy with investors. Investments are often a make-or-break moment for new ventures, therefore it deserves special attention. However, most investors prefer new ventures to either have customers or immense user data prior to the investment (Pratch, 2005). Thus, achieving the first customers is vital for the new venture and often a prerequisite for funding and scaling (Marmer et al., 2011). Customers were more inclined to purchase when they had greater cognitive legitimacy towards the new venture. According to Aldrich and Fiol (1994), cognitive legitimacy refers to “knowledge about the new activity and what is needed to succeed in an industry”. Customers' cognitive legitimacy may be increased by expanding their understanding about the new venture's organization, product, and management team). Additionally, customers can act as a signal of good reputation to different audiences, increasing awareness of a new ventures offering (Wang et al., 2017). Additionally, Kirmani and Rao (2000) found that having customers increases the likelihood of existing customers repurchasing. Additionally, the status of the customers plays a role in the performance of the new venture. Khaire (2010) found that for every high-status customer the new venture got, its revenue increased by 7%. These findings suggest that new ventures could increase legitimacy towards early customers by targeting and acquiring high-status customers. Additionally, working strategically to increase potential customers’ knowledge of the new venture´s offering, organization and management will increase cognitive legitimacy and might impact the purchasing decision (Shepherd and Zacharakis, 2003).

2.6 Previous experience

In the nascent stages of a new venture, the firm is heavily reliant on the founders to survive, gather resources, and grow. Founders with greater human capital are more likely to achieve greater growth (Cooper and Bruno, 1977; Feeser and Willard, 1990). Prior experience from similar situations typically serves as the basis for expertise and knowledge in entrepreneurial contexts, and human capital is gained through experiences prior to and during the pursuit of a new venture (Johannisson et al., 1998; Reuber et al., 1990; Shook et al., 2003). Scholars argue that there are three experience types in founders that have direct correlation with the growth of their new venture. These are industry, entrepreneurial, and managerial experience (Politis, 2005, Colombo and Grill, 2005).

Dimov (2010) argues that industry experience has direct positive effect on new venture emergence. He continues to argue that this effect stems from tacit industry specific knowledge which cannot be obtained by external industry observers. Tacit industry knowledge can take the form of information regarding cost structure, market share, revenue, pricing, and cost trends. Entrepreneurs possessing such information have an enhanced likelihood of discovering entrepreneurial opportunity because they can (a) identify the opportunity, and (b) have the cognitive properties necessary to value it (Ardichvili et al., 2003; Shane and Venkataraman, 2000; Politis, 2005; Aldrich, 1999; Cooper et al., 1988). Additionally, it provides opportunity confidence which has a positive impact on early planning and development as it helps founders in decision making and achieving milestones (Dimov, 2010).

Extent research suggests that entrepreneurs who have been involved in development of a new venture seem to be more successful and effective in starting up and managing their second and third organizations (Lamont, 1972; Ronstadt, 1988; Starr and Bygrave, 1992; Vesper, 1980; Barney and Wright, 1998). Empirical research shows a positive relationship between prior entrepreneurial experience and speed. Increased speed meaning a new ventures ability to reach milestones in shorter time periods (Capelleras and Greene, 2008).

Scholars suggest that founders years of management experience prior to pursuing a new venture increases the ventures three-year survival rate. Additionally, it reduces the likelihood of new venture failure (Brüderl and Preisendörfer, 1998; Politis, 2005). Managerial experience provides founders with professional knowledge regarding finance, sales, marketing and organization (Lee et al., 2011; Shepherd et al., 2000). Additionally, it provides knowledge about basic business aspects such as selling, negotiating, leading, planning, decision making and communication (Shane, 2003; Politis, 2005).

2.7 Analytical framework

In order to analyze the stated research questions the authors will analyze founders previous experience on two levels. Previous experience influence on customer legitimacy judgment and previous expeprience's influence on founders usage of legitimacy mechanisms. The analytical framework will be based on three theoretical foundations. First, the customer acquisition process will be analyzed using Edvardsson et al. (2008) status model. This model will both be used to establish a timeline of events, and compare the experienced and inexperienced founders' approach through the process. Second, Fisher's et al. (2017) legitimacy mechanisms will be used to analyze and compare founders actions when building legitimacy toward their first customer, and how those actions influence the customers perception of the new venture. Third, customer legitimacy judgment and how the founders previous experience influence it. It will be analyzed based on how the new ventures show their desirability and appropriateness to the customer, as described in Scuchmans' definition of new venture legitimacy. Customer legitimacy judgment and legitimacy mechanisms will also be analyzed towards the status model in order to understand how actions and judgements developed over the customer acquisition process.

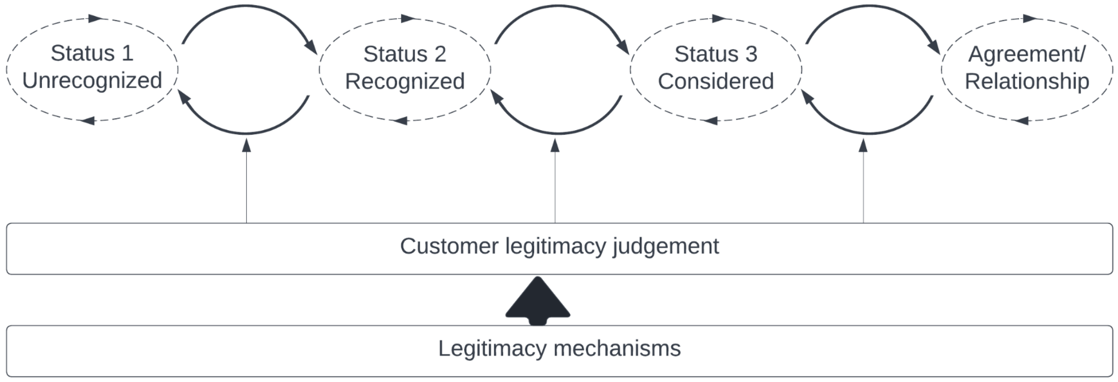

Figure 1 Visualization of analytical framework

Chapter 3

Research methodology

This chapter outlines the research methodology used in this thesis. First, the research design used to assess the aforementioned research questions is presented. Secondly, the case selection is described which includes the case criteria, case firms, and informant selection criteria. Thirdly, the data acquisition method is described which includes a description of semi-structured interviews, how interviews were conducted, and how secondary data was gathered. Fourthly, the data analysis method is presented, including within-case, and cross-case analysis description. Fifthly, the trustworthiness of this study is discussed. Sixth and lastly, the limitations and assumptions are discussed.

3.1 Research design

Through this study we want to explore how previous experiences in founders influence customer legitimacy judgment. Additionally, we want to explore if there are differences in usage of legitimacy mechanisms in the two groups of experienced and inexperienced entrepreneurs. Therefore, we have chosen a qualitative research method as it is well suited for exploring experiences and perceptions of individuals (Matthews, 2010). Conducting a qualitative method on the topic could also provide a ground layer for further research. Quantitative methods tend to be heavily influenced by theories, ideas and concepts from existing literature (Yin, 2011). Thus, this study utilizes a theoretical framework based on these theories, ideas and concepts. This study takes a different approach than others in this research field as it calls for a non-static view of legitimacy, or rather, process oriented focus. Additionally, the area of previous experience in entrepreneurs is lacking, creating a gap in the literature. Thus, it might be challenging to develop testable and trackable hypotheses based on prior research. A quantitative method would therefore be both difficult to use properly and create misplaced results.

As we look to explore a phenomenon where there exists limited information, it is necessary to use an exploratory approach (Matthews, 2010). RQ1 is therefore designed to be exploratory. To further investigate the depth of the exploratory question, RQ2 is designed to be exploratory. Such research questions aim to assess the efficiency of a phenomena or action (Matthews, 2010), in this case the customer's reaction to the processes studied in RQ1.

A multiple case study was chosen as this thesis is designed to have two exploratory parts (Yin, 2011). Additionally, case studies are appropriate to use when answering research questions containing “how”, with hindsight of RQ1 (Yin, 2017). Furthermore, this study looks to expand the current understanding of the legitimation process and the effect of previous experiences, and case studies enable us to grasp such complex situations by examining relevant elements of real-life instances. Multiple cases frequently yield more details and contrasts than single cases, resulting in more precise and transferable results (Eisenhardt, 1989). Additionally, in the literature used to create this thesis´ theoretical framework, several authors have recommended the advantage of the multiple case design (Fisher et al., 2017; Nagy et al., 2012).

3.2 Case selection

3.2.1 Case criteria

Purposive sampling is an approach widely used for qualitative, in-depth studies where the researcher is interested in the interviewee's unique perspectives, and it consists of a list of criteria developed prior to recruiting informants (Matthews, 2010). The informants are chosen intentionally based on certain characteristics in order to explore the research questions, this method was a suitable choice to investigate the legitimation process between new ventures and their first customers. As legitimacy is seen to be the means to overcome liabilities of newness (Zimmerman and Zeitz, 2002), we found that new ventures who participate in this project need to have certain characteristics present.

Participants must:

1) Be a new venture
2) Be selling business-to-business (B2B)
3) Have acquired paying commercial customer(s)
4) Be willing to let us interview one of their first customers
5) Be selling software-as-a-service (SaaS)

Criteria 1) New ventures are heavily influenced by liabilities of newness, which in turn makes it interesting to look at how new ventures attain legitimacy from customers in order to overcome these liabilities of newness (Stinchombe, 1965).

Criteria 2) In contrast to business-to-customer (B2C), business-to-business (B2B) sales often are more based on logical reasoning ruled by the buyer's institutional logic instead of emotion-based decisions. Additionally, B2B customers are proposed with greater risk when purchasing, especially from new ventures. Thus, the sales process or legitimation process are likely more difficult for new ventures, making it more interesting to investigate.

Criteria 3) The fact that "legitimacy is not directly observable" is a barrier when studying it. It ultimately exists in the minds of social actors, who may or may not be conscious of the importance of legitimacy in their reasoning and decision-making." (Zimmerman and Zeitz, 2002). Thus announcing a need to establish a proxy for legitimacy (Suddaby et al., 2017). Using a proxy to measure and evaluate legitimacy is a common method in the research field of legitimacy (Suddaby et al., 2017). The authors use this proxy to measure legitimacy in the way that they have obtained legitimacy through a completed commercial purchase. As the first commercial purchase is a byproduct of previous pilot projects or collaborations, we have chosen not to include paid pilot projects as they normally are priced way lower than commercial sales. We disclude these projects because they represent a greater value proposal comparative to commercial price. Additionally, these projects often have less risk as both parties are aware that the offering is under development throughout the piloting process. Thus, the likelihood of piloting turning into a fully commercial offering and purchase are not guaranteed.

Criteria 4) Because we wanted both new ventures and their customers to be informants, this was the best option. We reasoned that questioning both sides would provide the greatest insight into the process and expose possible disparities in both processes and their relevance, because legitimacy is a complex interplay between the new venture's strategic activities and the customer's legitimacy assessment.

Criteria 5) In order to get comparable and transferable data, the industry of participants had been narrowed down to Software-as-a-Service (SaaS) firms. The newness of SaaS firms propose a greater demand for legitimacy, which in turn will provide better data than traditional industries with more fixed customer acquisition processes. Additionally, SaaS firms cannot rely on patents to the same degree as hardware ventures to attain legitimacy.

Additionally, the founders of the new venture have specific criteria related to previous experiences. As RQ2 looks to explore differences in usage of legitimacy mechanisms, we need to have two different groups of new ventures. These groups are labeled inexperienced- and experienced entrepreneurs.

Inexperienced participants must havet:	Experienced participants must:
1) no previous entrepreneurial, industrial, or managerial experience	1) extensive entrepreneurial, industrial, or managerial experience

Table 1. Overview of founder criteria

3.2.2 Case firms

We heavily utilized the alumni network of NTNU School of Entrepreneurship to get leads during the recruitment process. However, only three of the six cases were related to the alumni network. The other half was found by leveraging personal networks. We found six cases with the same predetermined criteria. Additionally, there were some similar characteristics between the cases that we had not set beforehand. One of which was that all the new ventures had their first, or one of their first customers in Norway. Also, the first or one of the first customers are by category a large firm. Below is a table containing a description of the cases, meaning the new ventures and their adhering first customers.

CASE #	STARTUP #	OFFERING	INDUSTRY	TEAM SIZE	FIRST YEAR	CUSTOMER #	INDUSTRY	FIRM SIZE
Case 1	SU1	Software for sustainability reporting	Construction	4	2020	C1	Road construction	L
Case 2	SU2	Augmented reality solution for conducting digital workshops	Digital workspace	3	2020	C2	Chemical company	L
Case 3	SU3	Business simulation solutions	Education	4	2013	C3	Education	L
Case 4	SU4	Climate reporting for consumer transactions	Banking	10	2014	C4	Banking	L
Case 5	SU5	Customer acquisition and customer management software	Call center and sales	3	2013	C5	B2C phone sales	M
Case 6	SU6	Software for subsea drones	Marine inspections	4	2015	C6	Marine transportation	L

Table 2. Overview of cases

3.2.3 Informant selection criteria

As mentioned previously, during selection of informants we had determined a set of criteria. In order to explore the differences in usage and success rate of different legitimacy mechanisms, we wanted to divide the pool of informants from new ventures into two groups; experienced and inexperienced founders. Additionally, in order to match the founders' experience level with the legitimation process, we wanted to recruit founders that are heavily involved in the sales process of the first sales. Thus, it was natural to contact and recruit informants in the roles; Chief Executive Officer (CEO), Chief Sales Officer (CSO), Chief Marketing Officer (CMO) and Chief Commercialization Officer (CCO). As CEOs are normally responsible for customer acquisition in the early stages, we ended up recruiting informants of this role solely. On the customer side, we were inclined to contact the organization's representative with most involvement in the purchasing process providing the most relevant insights of the legitimation process.

Below is in Table 3.3, is a representation of the different informants from the new venture group and an overview of their prior experiences before initiating in new venture development of the new venture in question. ENTREPRENEURIAL refers to the informant's previous experience in founding and developing a new venture. INDUSTRY refers to the informant's previous experience in the industry adherent to the new venture in question. MANAGEMENT refers to the informant's previous experience in managerial roles. These three experience categories are ranked from None representing zero full-time employment, Medium meaning zero-to-two years of full time employment, and extensive implying two plus years of full-time employment. ACADEMIC refers to the informant's level of completed education prior to initiating new venture development.

CASE	ROLE	ENTREPRENEURIAL	INDUSTRY	MANAGEMENT	ACADEMIC
S1	CEO	None	None	None	Masters
S2	CEO	None	None	None	Masters
S3	CEO	None	None	None	Masters
S4	CEO	Extensive	Medium	Extensive	Masters
S5	CEO	Extensive	Medium	Extensive	Bachelors
S6	CEO	Extensive	Extensive	Extensive	M.B.A.

Table 3. Overview of founders background

3.3 Data acquisition

The foundation for this study was based on two types of data; semi-structured interviews with the new ventures and one of their first established customers, and secondary data. In order to reduce the bewilderment of data regularly experienced when conducting qualitative research, the authors created a collection protocol (Yin, 2011), standing of several stages. The protocol defined the research focus, what theoretical foundation it was based on outlined in chapter 2 and procedural guidelines on action steps to be executed pre, during and post interview. In order to acquire new venture participants, a short memo was written on the topic of interest and what their customers would be asked. This was implemented as authors initially struggled with recruiting new ventures willing to share their customers, as many were in critical phases or deemed the relationship “too fragile to introduce more noise”, affecting the risk of not finding cases within the set selection criterias. Fortunately, the memo was effective in reducing the new venture's concerns. Before each scheduled interview the authors collected secondary information on each case and individual by browsing news articles, websites, public sites, blog-posts and Linkedin in order to establish an understanding of the situational context of the case firm and the participants level of experience. A statement of consent was also acquired prior to each interview, before storing any personal information. Finally, the protocol described a plan on how the interviews should be conducted, by establishing the responsibilities of leading the interview, recording and data collection and how to debrief and structure the responses after the interview.

3.3.1 Semi-structured interviews

Semi-structured interviews were chosen as the primary source of data, as the method facilitates exploring hidden and underlying elements by allowing follow-up questions and free dialogue (Yin, 2011). The interviews conducted were based on an interview guide, standing of open ended questions, allowing the respondents to freely discuss their thoughts on the concepts, and the interviewer to pursue statements of interest to gain a more nuanced and descriptive understanding of the underlying phenomena. The interview length lasted between 20 and 60 minutes, varied by the time participants had available. The relatively limited length was resolved by focused questions and follow-ups in order to capture the essence of the context related to the analytical framework. The challenge of semi-structured interviews is the broad span of information presented by the participants, hence the authors carefully constructed and iterated the interview guide and their follow-up question routine in order to capture their contextual experience as precisely as possible, without influencing their responses by leading questions. The authors also experienced some variety in the respondents' understanding of legitimacy, hence in those situations the authors converted the phrasing to "trust" and what affected it for them to continue or contractually validate their buyer-seller relationship. Another issue with this method was how the interviews were conducted. As all interviews were conducted by video, some conversational dynamics might have been affected.

Case	Informant	Type	Length
Case 1	New venture CEO	Video meeting	45:55 min
	Customer representative Domain expert	Video meeting	20:15 min
Case 2	New venture CEO	Video meeting	37:59 min
	Customer representative Innovation dep.	Video meeting	25: 56 min
Case 3	New venture COO	Video meeting	30:55 min
	Customer representative Innovation dep.	Video meeting	27:15 min

Case 4	New venture CEO	Video meeting	57:14 min
	Customer representative,	Video meeting	34:05
Case 5	New venture CEO	Video meeting	43:57 min
	Customer representative, procurement dep.	Video meeting	46:36 min
Case 6	New venture CEO	Video meeting	52:11 min
	Customer representative, operations and maintenance.	Video meeting	48:56 min

Table 4. Overview of conducted interviews

3.3.2 Conducting the interviews

When conducting the interviews the authors followed the predefined procedures and interview guide, to ensure the capture of the prospects experience fully. Both authors participated in the interview, where one had lead responsibility while the other observed and engaged only to capture nuances in answers with follow-up questions. The interview guide was used as a framework for focus on what to be explored (Eisenhardt, 1989). The authors created two interview guides, one for new ventures and one for customers. The questions in the two guides are connected and are exploring the same phenomenon, only the framing and point of view differ to make it more digestible by the participants in order to capture both sides of the same story.

The process of the interviews began with an introduction of the topic, declaration of data anonymization and processing and what the interview process would look like. The new ventures were first inquired about the new ventures and founders background and relationship status with the customer. Then a timeline was established, which was further used when addressing legitimacy mechanisms used. Further, they were asked about their view of their customers' industry and other relationships utilized in the process. The customers were first asked to describe their role and their firm's experience with new venture suppliers. Following a timeline with the new venture were established connected to mechanisms. Furthermore, their supplier judgment and their view of the founders experience and its impact was brought up. Finally, in both interview guides, the participants were asked to confirm some uncertain details and were encouraged to add final remarks on the topic. Feedback on their experience of the interview process were included if time was available, otherwise it was requested post interview by email or sms, in order to improve the quality of how the interviews were conducted.

By conducting semi-structured interviews the authors were able to encapsulate and gain a nuance of the process as key elements regularly came up due to exploratory follow-up questions. Some of the participants also reflected on elements in other sections, hence the structure of the interview did not follow the planned structure. However, all sections were described. The shorter interviews were more focused towards the main section of the guide, and secondary data were used to fill in the gaps, especially on background information freely available on websites or public sites.

3.3.3 Secondary data

Prior to the interview the authors used a variety of secondary data to better understand the case context. After the interview, secondary data was both used to find or validate information relevant to the case. This was done to attain more non-spontaneous information about the participants and process and provide multiple evidence to the study (Yin, 2011). Most important was obtaining background information on the interview prospects with limited time. This includes information of the company, size, maturity and position of the participant. Related to the new ventures, LinkedIn, company blogs and web pages were used to both validate and improve the authors understanding of cases. Some documents used in the initiation between the new venture and customer were also attained to increase the understanding of case specific topics. The following sources were used; company website, company blogs, news articles, marketing campaign, LinkedIn, and email and LinkedIn correspondence.

3.4 Analysis

The analysis of the data can be seen as the core for building theory based on case studies, but also the most difficult (Eisenhardt, 1989) The data analysis in this study is divided into within-case and cross-case analysis, and the former is most important. The first step after the interview was to extract the raw data into relevant categories of dimensions relevant to the study before a detailed analysis. The coding was performed by both authors, as both participated in all interviews, in order to ensure that the participants' perspectives were sufficiently considered (Pratt, 2009).

3.4.1 Within-case analysis

The raw data was firstly coded into four categories of dimensions based on the analytical framework, presented in chapter 2.7, before being analyzed further. The first category included company and participant specific information. These dimensions enabled a comparison in prior experience and background of the founders, and positions and mandate of the customer. The second category is directly related to the process specific elements, to understand the timeline and how they went from unrecognized to a customer relationship. Thirdly legitimacy mechanisms how they were used and where in the process they were used. Lastly the phenomena explored were coded together, customer legitimacy judgment and founders prior experience, to see if the phenomena was related to different mechanisms or sub-processes or not. Figure 2 illustrates how the within-case analysis was conducted.

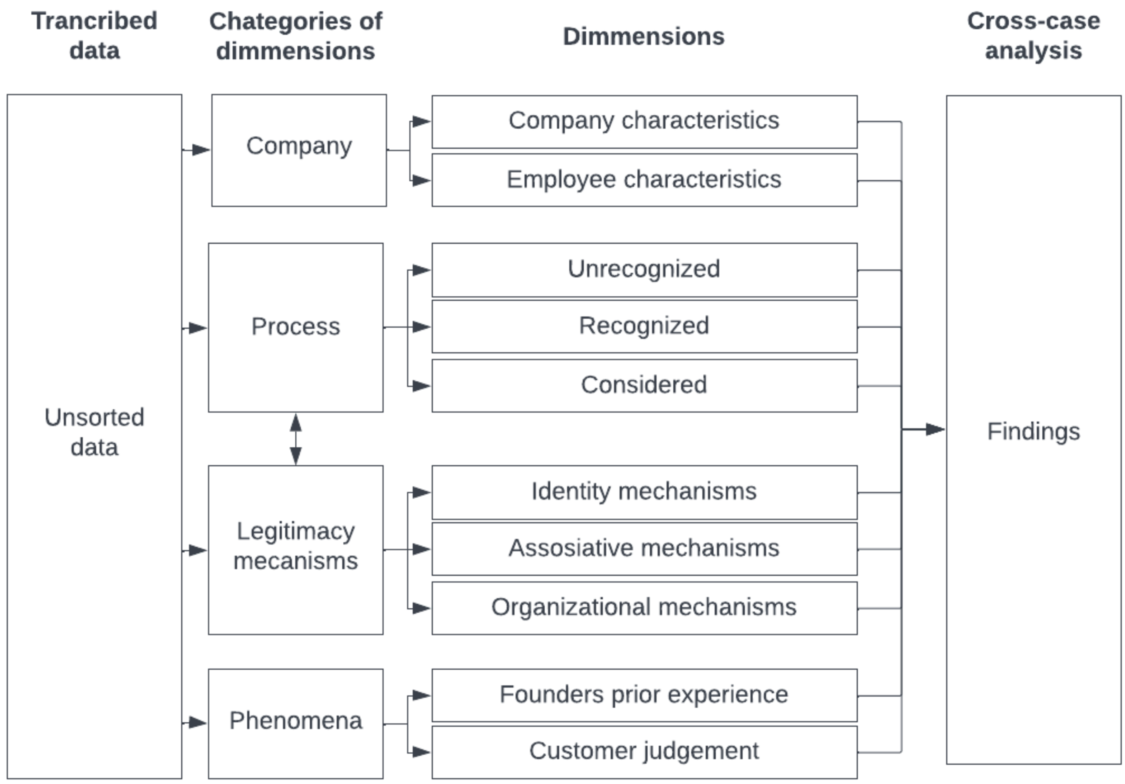

Figure 2. Within-case analysis illustration

3.4.2 Cross-case analysis

Following the within-case analysis, a cross-case analysis was conducted in two steps to provide a more holistic understanding and exploration for patterns (Eisenhardt, 1989). The first step was to conduct one cross case analysis of each experience category, experienced and inexperienced to find similarities and differences within each category. Those cross case analysis were then used as a foundation for the last cross case analysis, comparing experienced and inexperienced between each other. The authors focused on the variation on the process and mechanisms usage between different levels of experience, and how customer legitimacy judgment was affected by the founders prior level of experience. The dimensions helped reveal similarities and differences based on the founders prior level of experience, and how it affected the usage of mechanisms throughout the legitimacy process. Figure 3 illustrates the complete process.

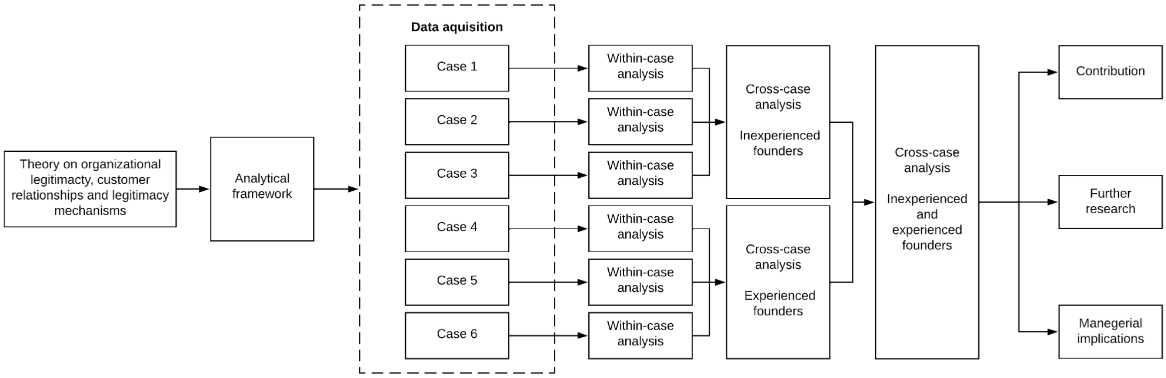

Figure 3 Illustration showing the conducted research.

3.5 Trustworthiness of study

In order to ensure academic progress research needs to document the procedural and methodological approach, and hold them to academic standards to ensure the findings trustworthiness. As qualitative studies encapsulates an individual's point of view, the vast amount of diverse and subjective data can lead to difficulties of painting a truthful replication of the respondents reality and the discussed phenomena. Lincoln and Guba (1985) present that the trustworthiness of a study can be derived from the four factors of credibility, transferability, dependability and confirmability. These factors will be further elaborated on in the following sections and how the the authors have engaged with them to ensure the papers trustworthiness.

3.5.1 Credibility

The credibility of a study refers to building methodological trust that the findings correctly represent information drawn from the participants original data and view (Graneheim and Lundman, 2004; Lincoln and Guba, 1985). Credibility is defined as the confidence that can be placed in the truth of the research findings (Holloway and Wheeler, 2002; Macnee and McCabe, 2008). Thus, credibility concerns the process of maintaining the respondents true perception when the data is analyzed and converted into findings (Lincoln and Guba, 1985).

To fully embrace the context and perception of the respondents, and increase credibility, the authors have used multiple multiple strategies. The authors used multiple sources to validate and supplement the interview data, and performed triangulation (Lincoln and Guba, 1985).

The authors interviewed both the new venture and the customer to enhance the understanding of the process from both perspectives, and conducted several secondary studies to both validate data, and supplement the authors perception of their individual context prior to the interviews. Both authors participated in the interview, and were able to follow up participants post interviews when additional information would increase the authors' contextual understanding.

Furthermore, Anney (2014) discusses that prolonged engagement in the field or research site helps the researcher understand the context of the study, minimizing distortion of the information. During their studies the authors have engaged in entrepreneurial activities and the local related environment, increasing their understanding of the cultural context, which Onwuegbuzie and Leech (2007) argues to improve a studys credibility. However, the newness and sensibility of the relationship between the two actors might affect them to be more restrictive in revealing negative details of the relationship. Howerever, timelines and triangulation and secondary data and follow-ups after the interview were done to verify the findings.

3.5.2 Transferability

Transferability refers to the degree to which the study and findings can be applied to other contexts and settings or with other respondents (Krefting, 1991). Bitsch (2005) discusses that the "researcher facilitates the transferability judgment by a potential user through 'thick description' and purposeful sampling" (p. 85). The authors have done this by including a description of the context, process and experience level in great detail, suitable to be applied in other contexts elsewhere. However, the findings are geographical bound to Norway and the given timeframe, thus affecting the possibilities for replication.

3.5.3 Dependability

Dependability considers the study's consistency and whether the findings would be consistent if the study were replicated with the same subjects or similar context (Krefting, 1991). Unlike relatively controllable experiments and quantitative research, qualitative research is exposed to unexpected variables, thus variabilities are expected and dependability are evaluated by implied trackable variables (Krefting, 1991). In order to cope with dependability, the authors have precisely described their exact method of data gathering, analysis and interpretation, and addressed elements believed to be unique in the study.

3.5.4 Confirmability

Confirmability refers to the studys neutrality and are concerned with the authors freedom from bias in the research process and findings (Krefting, 1991). Thus, it regards the findings neutrality as a result of solely being based on the collected data and the conditions of the research, not other motivation, biases or perspectives (Krefting, 1991).

Using the model of legitimacy mechanisms as a foundation for the interviews, and not the general phenomena of legitimacy or experience might negatively influence confirmability, by the authors somewhat setting the conversational agenda. However, the semi-structured interview style lets the authors use open follow-up questions to minimize the participants perception of a set framework. Furthermore, the post-interview debrief helped enlighten if they were bound to reply within a given framework, which was sorted out after the first interview.

3.6 Limitations and assumptions

This section discusses the limitations and assumptions that must be considered plausible sources of influence on the authors regarding the applied methods and analysis. By addressing and highlighting these elements, the authors wish to shed light on possible biases, and by awareness potentially reduce the risk of impacting the neutrality of the paper. Furthermore, it is relevant to describe the elements in the case selection process that could limit the transferability to other settings and situations.

- Due to the fragility of new ventures' first customer relationship, the new ventures included sources through the author's personal network, limiting the “randomness” of the sample, and the founders previous pre-understanding of the firms affected how the interviews were conducted.

- Related to the prior, four of the cases studied are all a product of individuals from the same entrepreneurial network, where strategies and perceptions are regularly shared, which is likely to reflect in their perspective on building their first customer relationships, risking a somewhat homogenous sample.

- All of the cases studied had simultaneous processes with several customers within the timeline of the research, however the authors only interviewed one of them, limiting the view of the process to one customer per case.

- Somewhat related to the point above, all of the interviewed customers were a result of successful buyer-seller relationships making the authors victims of success bias. This is further confirmed as other potential case firms declined to participate due to fragile relationships. All customers interviewed were comfortably introduced by the new venture.

- Because all participants were Norwegian the interviews were conducted and transcribed in Norwegian, then coded and analyzed in English, hence some nuances and findings could be lost in the transaction.

- The interviews focused on the process and impressions from first contact to an established relationship. For most cases this process started several years ago, hence the study faces some risk that key impressions and actions in the process might be lost in memory.

- All interviews were conducted through video, and there is a chance that some interview dynamics and understandings were lost.

Chapter 4

Within case analysis

This chapter presents the analysis of the acquired data. It consists of six within-case analysis, each containing a new venture and one of their first customers. The within-case analysis will summarize the customer acquisition process through the sub-categories introduced by Edvardsson et al. (2008); unrecognized, recognized, and considered. This will be followed by the observed legitimacy mechanisms used by the new venture divided into three sub-categories introduced by Fisher et al. (2017); identity mechanisms, associative mechanisms, and organizational mechanisms. Lastly, the interpreted customer legitimacy judgment based on the founders previous experiences will be covered.

Abbreviations used in this chapter are NV# and C# where NV# refers to the new venture and its adherent case #. Similarly, C# refers to the new ventures customer and its adherent case #. For example, NV1 and C1 mean “new venture in case 1” and “customer in case 1”.

4.1 Case 1

NV1 was founded in 2020 by three founders and their first contact with C1 was during an explorative phase of the business idea. C1 experienced the problem and was open to participate in a development project, then a pilot project, to deliver feedback on the solution. The interview participant from C1 was involved in the process from the initial contact and through the process. C1 became the first customer when the final product was launched in 2022.

4.1.1 New venture

NV1 delivers software as a service to simplify a regulatory required documentation process in the construction industry. Their software reduces time, risk of mistakes and improves the process for those responsible for conducting the documentation process. The idea was found through an internship in industry, and realized it would be possible to significantly improve the process with a software solution. As the team was still at university when they founded NV1, they lacked both extensive prior industrial, managerial and entrepreneurial experience.

However, they both had a high level of technical expertise, and their home university had a great reputation for both technical and entrepreneurial quality.

4.1.2 Customer

C1 is one of the largest actors in their industry, and has a leading role in experimenting and introducing new solutions in the market. The industry itself was noted by both parties to be rather conservative, as they operate with low margins and large complex projects, hence are known to be risk averse when implementing new elements. As the founder mentioned:

"All industry actors still use software from the early 2000's in core processes, even if new and way better products have come to the market since… because they don't like to do new things". - NV1

However, C1 described, contrary to the industry, that they had had a great focus on innovation and a mandate to participate in innovation projects without the need for hierarchical confirmation. First when negotiating the contract other decision makers were involved. C1 has previous experience with new venture suppliers, and they have a culture that promotes innovativeness and exploring new solutions.

4.1.3 Customer acquisition process

It took two years from first contact between the two parts to the first commercial product was finished and a formal customer relationship was established. C1 was involved throughout the development phase, both in testing early prototypes and sharing domain knowledge necessary to develop the product to their needs.

Unrecognized

Their initial intention for contact was to validate the opportunity and understand if it had potential. As they had no formal organization, they utilized their personal network and people skills to find the right stakeholder in C1 to discuss the problem.

"We tried several approaches to get in touch with the right person.. We even went down to a site we knew "C1" had a project and tried to talk to the site manager… We eventually got a meeting to discuss the problem… when we had the meeting, we realized that the customer was as frustrated with the problem as i was in my summer internship" - C1

As the customer was triggered by the problem they agreed to establish a development relationship, including regular meetings standing of testing and feedback of simple prototypes. Where C1 only committed to help them in understanding the problem and what they needed in a potential solution.

Recognized

The development project was used to increase the founders knowledge of what the software should include and build a better relationship with C1. They launched a paid pilot product after nine months of development where C1 and several other actors were willing to participate. The founders quickly understood that it was a mismatch between their own and their customers' understanding of the pilot-products readiness. The customers expected a finished and functional prototype, and when they realized it was filled with flaws and errors, reducing some of their established legitimacy. The founders worked continuously to fix the flaws, and changed their communication of what the customers should expect of the pilot product. They eventually made the pilot product work to the initial expectations, and impressed the customer by the pace they continuously fixed and improved the product.

Considered

When the commercial product finished in 2022, several top-level decision makers were involved in the process. The bad experience C1 had when the first pilot product was launched made them more careful when making a buying decision, as they were concerned with the readiness of the software. Hence, it was necessary to test the product thoroughly before buying. However, as they had been part of the development process, they expressed ownership to the product, making them more willing to legitimize the venture:

"... when we have participated in developing it [the product]*, then we actually have to believe in it, as long as it doesn't turn out completely different from how we pictured it"* - C1

4.1.4 Legitimacy mechanisms

As C1 was an important potential customer to NV1 the founders were especially careful to build early trust with them. Even if they did not initially have a strategy to build legitimacy, their actions were centered around getting trust. The founders also changed how they used the different mechanisms over time as they learned more about the customer and gained more experience.

Identity mechanisms

NV1's storytelling was focused on the pains of the problem and that a new solution would be better than the existing one. They also used their personal experience with the problem to show that they fully understood the importance of it. They also highlighted in their story that they wanted to create a solution "together", and their success was the customers' success, creating a collective framing. Furthermore, NV1 conducted a market research and was able to present concrete numbers related to the cost of the current solution, which was new to the customers, increasing their relevance to the customer as industry is highly cost-oriented.
When it comes to impression management, the founders focused on their dedication and technical competence in order to make a viable product. Dedication was also symbolized by a proactive and cooperative and service oriented correspondence with the C1. The high degree of correspondence was also mentioned by C1 as an important factor for their judgment.

Associative mechanisms

The founder's personal ties and network was critical in order to initiate contact with C1. As they had several personal relationships with employees working in C1 they were able to start the initial dialogue. Furthermore, NV1 focused on building a good personal relationship with different stakeholders within C1, as there was no strict contractual commitment, making it easy for C1 to abandon the project if they disliked the founders on a personal level. Having a good personal rapport with stakeholders in C1, was also important as they regularly talk with other firms in with the same problem, as the founder say:

"If we behaved as a bunch of douchebags, the word would quickly spread, and then no one would engage with us, as the domain environment is so small almost everyone know everyone". - NV1

Organizational ties were also important for developing legitimacy, especially important was the founders' university connection to C1, as it had a great reputation. Furthermore, NV1's relationship with C1 was a leading contributor in closing other firms to participate in the pilot project.

"When C1 decided to participate, and we communicated it to the other firms, it only took a week to land the rest of the pilot contracts". - NV1

Organizational mechanisms

When it comes to organizational mechanisms, the most important mechanisms were internal milestones, both regarding accessing resources, such as funding and talent, and product deliverables. C1 mentioned that their pace and quality in their continuous development of the product was an element increasing their trust in NV1. The customer representative also noted that their ability to obtain the necessary resources to further develop the firm positively affected their "gut feeling" of NV1.

4.1.5 Previous experience and customer judgment

The topic of the founders level of experience was noted several times, most in favorable means, even though both actors recognized their inexperience was noticeable in the actions and decisions. NV1 mostly thought their lack of experience had a negative effect on their understanding of the process and their expectation setting abilities. Over time, they increased their understanding of C1's legitimacy judgment, and were able to adjust to them eventually. Furthermore, NV1 thought their "lack of experience" had a positive impact on the process, and used it more as an argument for learning and asking "stupid questions" about the process to the customer. And was important, as they needed as much information they could get to build a great product.

When it comes to C1's legitimacy judgment, they based it primarily on one core thing, "will we become better with this solution". And when C1 was asked about the founders newness and lack of experience the representative answered:

*"Of course we noticed, but on the other hand they had competence and guts… they had a new set with eyes, that did not follow established patterns and ideas about how things should be solved… the documentation process is a pain in the ***... and we were highly positive to their new and open mind to the process".* - C1

The representative also noted that their lack of industry perspective on time overall was positive, as their eventually high pace in the development process C1 felt they were part of the bottleneck. C1's overall felt NV1 had conducted a professional process, even if they were new to the game.

4.2 Case 2

NV2 was started as an exploration of an opportunity that the founders discovered while writing their master thesis. The interviewed customer was one of ten companies that was part of the initial validation and pilot phase, while the founders built the product.

4.2.1 New venture

NV2 delivers collaboration software for business using a technology new to the market. Their customers are corporate firms with needs for remote collaboration. Their venture is based on a newly introduced technology, with few large actors and a landscape in fast development. The founders have no industry managerial or entrepreneurial experience, but had technical competencies with the new technology prior to starting the new venture. NV2 is based from a university with a strong technical and business reputation.

4.2.2 Customer

C2 is a large multinational corporation, with employees spread across most countries in the world. They have no formal experience with new venture collaboration, however the company ambassador had both innovative responsibility and previous experience working in a startup. The company ambassador also had a mandate to participate in development and pilot projects.

4.2.3 Customer acquisition process

From first contact to an established relationship took two years. The process was divided into two phases before a commercial product was ready. The first step was a development phase, where early prototypes were tested and NV2 focused on learning more about the needs the customers had for the product they were building. The second phase was a pilot phase, where they focused on building a product ready for the commercial market.

Unrecognized

The first contact between the two parties was a cold email sent to a general email with the company. Fortunately, it was sent to the person who later became their contact point and ambassador. C2 was curious to explore the new technology, and decided to participate in the development phase at a symbolic price. The agreement had low commitment for the customer, and only required them to test the product regularly and give feedback the founders could use to further develop it.

Recognized

In the overlay of the pilot phase, more stakeholders were involved. They had close dialogue during the whole process, and NV2 had a high focus on satisfying C2. Both by "going the extra mile" when problems occurred, and setting low expectations in order to deliver more than expected. C2 highly appreciated how forward leaning NV2 was during the process.

Considered

There was one element in the considered phase NV2 lacked sufficient quality, and influenced their legitimacy negatively. They lacked sufficient contractual and regulatory compliance, and were told they needed to update how they handled compliance before C2 was willing to buy. NV2 mentioned that other customers also had reacted in similar ways, resulting in some lost customers. However, C2 regarded the product value high enough, and ended with buying after their compliance demands were met.

4.2.4 Mechanisms

NV2 focused on building strong relationships with their customers by making personal connections and rapid correspondence. They also focused on increasing the customers' understanding of the new technology, as most were new to the technology. Furthermore, they focused on delivering over the customers expectations in order to increase their legitimacy.

Identity mechanisms

NV2 used storytelling by framing themselves as a part of the future in corporate collaboration. They also related to the ongoing pandemic, and how their solution could make home-office collaboration improved in such a situation. They used impression management by enlightening their connection to their home university, and exemplified the success of other new ventures from the same university as a means to show their potential. They also focused on showing commitment and competence through their correspondence and product deliverables.

Associative mechanisms

The most associative tie for NV2 was their connection to their home university. This was especially important to C2 as they both had a formal relationship with the university and knew about their technical reputation. If NV2 did not have the connection to the university, C2 were unsure if they had participated in the first place. Personal relationships were also important for NV2 for opening doors with the other customers who participated in the first phase, as five of the ten customers resulted from personal connections. Furthermore, NV2 focused on building a strong relationship with the customer ambassadors and has been a driving force when formalizing the buyer-seller relationship.

Organizational mechanisms

NV2 used internal milestones and product deliverables to build legitimacy in their abilities to deliver value. They especially focused on over delivering on their promises, in order to show their capabilities. As previously mentioned, they struggled with regulatory compliance, which reduced their legitimacy with some stakeholders.

4.2.5 Previous experience and customer judgment

Even if NV2 struggled with compliance, their newness was noted to have a positive impact on the customer legitimacy judgment. As the customer was new to the technology, they appreciated the low barrier to explore the area with NV2, and noted that they believe that new venture collaborations are highly beneficial in such settings. C2 said they probably would not explore the area, as the cost and time needed to do it with established actors would be too high.

4.3 Case 3

Case 3 represents the customer acquisition process between a new venture offering business simulation software (NV3) and a large Norwegian university (C3). The case emerged in 2012 when NV3 was conducting a series of feasibility studies. C3 initiated contact by showcasing a need in economy education, which NV3 acted on. NV3 ran a series of product tests in C3s courses through 2013 and 2014. A formalized commercial sales contract was signed in Q4 of 2015.

4.3.1 New venture

NV3 was founded in 2013 by a team of entrepreneurs who were at the time enrolled in an entrepreneurial masters program. As a part of their studies, people from different organizations present needs, ideas, and products which students can use as foundation for new ventures. Their business idea stems from one of these presentations which took place in 2012. NV3 had developed a team which consisted of four students with different backgrounds. In Q1 of 2013 the team started to work part-time on NV3 in parallel with their studies. They started prototyping in collaboration with a few smaller customers and developed a minimum-value-product. As of 2014 they had enrolled an unpaid pilot project with C3 which was not successful due to technical issues. NV3 further developed their MVP and ran a new pilot in 2015. In Q1 of 2016, NV3s first commercial sale was conducted towards C3.

4.3.2 Customer

C3 is a large Norwegian university which is renowned for their industrial economy education, founded in 1910. As this university is owned by the state, no financial records are available or visible to the general public, including the authors of this thesis. The customer representative in this case has a leadership position related to certain economic courses, but does not have the final say in the purchasing decision. However, the representative has the greatest influence on the process. In this case, it was clear that if a potential supplier convinces the representative, a purchase would most likely happen. C3 has won several innovation competitions. Additionally, they are seen as a challenger in most innovative universities within reach. They have also worked with new ventures prior. However, their purchasing process is somewhat rigid and slow due to being owned by the state.

4.3.3 Customer acquisition process

Unrecognized

Prior to recognition, the founders of NV3 were conducting a series of feasibility studies unrelated to NV3. During this time, C3s representative had developed an idea for a board game with intentions of using this in C3s courses. Thus, C3s representative attended an innovation conference on campus to present the idea in front of students enrolled in the entrepreneurial masters program. C3s representative presented the idea with a three page long description of the board game and the needs it covered.

Recognized

While attending the presentation, C3 implied that a team of students could take this idea and execute on it. The presentation also had implications that C3 would be the first demanding customer if the product was adequate. Initially, there were three teams competing for the idea. NV3 had two team members that had prior experience in C3s courses. Thus, they used this to showcase their interest in the field and their knowledge of the course process. Additionally, they presented a story of how their interest in board games and how its use in educational settings had helped them throughout their academic careers. Both of these factors enticed C3 to choose NV3 over their other two competitors. NV3 and C3 established a professional relationship in addition to an agreement that the individual idea owner from C3 was awarded 15% of NV3s shares in trade for knowledge regarding the university's purchasing and course process. Thus, this individual became NV3s “champion”.

In Q1 of 2013, NV3 started development of an MVP aiming to roll in 2014. Meanwhile, NV3 had also rolled out a more basic version of the MVP to other potential customers. Implications in this phase was that C3 was intending to get and use NV3s product for free, but pay for their services regarding development of customer-specific features. In 2014, NV3 rolled out the first completed version of their product at C3. However, their product flopped and was discarded from the course. In 2015, NV3 rolled out an improved version of their product which was perceived as a success in the eyes of C3.

Considered

Later in 2015, negotiations began between the two parties. Throughout 2014 and the beginning of 2015, C3s representative had coached NV3s CEO in the university's purchasing process. In Q4 of 2015 and during Q1 of 2016, NV3 had developed a sales contract for three which was accepted by C3 and their first commercial sale was completed.

4.3.4 Legitimacy mechanisms

Identity mechanisms

NV3 used *impression management* and *storytelling*. *Impression management* was used to highlight the teams competence in entrepreneurship during the process of convincing C3 that this team was better than its competitors. Additionally, they were open about their inexperience in order to lower expectations for C3. *Storytelling* was used by NV3 to project a personal connection and motivation for developing the next generation of educational board games.

Associative mechanisms

NV3 used *organizational, top management, and individual ties* as a strategic benefactor for the customer acquisition process. NV3 had *organizational ties* to the university (C3) by being enrolled in their elite entrepreneurial program. This led to initiation and the single most important factor for this NV´s success. NV3 used *top management ties* as the customer representative from C3 had a top managerial role at C3 and was on the board of directors in NV3 owning 15% of the shares. *Individual ties* were used during the process of convincing C3 that NV3 was the right founding team for this case. Their *individual ties* came from having two founders previously enrolled in a course run by C3s representative.

Organizational mechanisms

NV3 used *internal milestones and structures*. *Internal milestones* were presented towards C3 during process meetings projecting their progression towards product rollout. *Internal structures* were built through the help of C3s representative. C3s representative had coached NV3s CEO in the university's purchasing process and developed a structural approach for commercial sales.

4.3.5 Previous experience and customer judgment

Customer judgment was mostly based on NV3s ability to deliver the product that the two parties had agreed upon. If the product was good, C3 would buy it. If NV3 did not deliver, they would just be rejected. Thus, the perception of risk was low in the eyes of C3. When choosing NV3s founding team for the case, their perception of being heavily motivated but still level headed was deemed to be of importance to C3. C3 believed that having a representative within NV3 positively influenced the customer judgment as they knew that the representative prior. During NV3s first rollout, C3 mentioned that this seems amateurishly, however, they were reluctant to let go of NV3 as a potential problem solver. C3 mentioned that NV3 justified their technical the following year with improved product deliveries.

4.4 Case 4

Case 4 was established in 2014, and delivers solutions to a more sustainable future. NV4 had personal relationships with employees in C4 prior to their organizational relationship, making their introduction less complicated. NV4 had built one product prior to the discussed relationship. The product in focus was an outcome of the customer wanting to explore an opportunity with NV4. Resulting both a customer relationship and a distribution agreement.

4.4.1 New venture

NV4 delivers an api-integration used by large industrial actors in their product offering to the consumer market. The firm team has a broad span of entrepreneurial and managerial experience. Prior to the discussed customer relationship, they built a sustainable oriented software, both building strong domain knowledge and product development experience.

4.4.2 Customer

C4 is a large player in the market, and provides a broad scope of products and services to both consumers and businesses. The industry is dominated by several large actors and are strictly regulated. However, regulatory changes and new market entries are pushing the incumbents to change and innovate in order to stay competitive. C4 has a position in their local entrepreneurial ecosystem, and has experience with new venture suppliers. The interviewee from C4 was part of the initiation of the relationship, and worked in their new development department. As they are strictly regulated, they have a strict process for evaluating new suppliers.

4.4.3 Customer acquisition process

The process from initiation to buyer-seller relationship took two years. It started as an exploitative dialogue, and ended with an agreement both parties were happy with. The most challenging part for NV4 was establishing the ip-rights, as C4 felt ownership due to their early involvement.

Unrecognized

As NV4 had built unique domain knowledge when developing the first product, C4 was interested in exploring if that knowledge was possible to translate into a product in their industry. After several conversations, C4 decided to give NV4 resources to build an early prototype to validate their hypothesis that their domain knowledge could be used to make a new product for a completely different market.

> *"They initially had a completely different niche product, but I had a hypothesis they could use some of their existing expertise to help us engage our customers in a new way… we quickly understood that they could… That built the foundation for a research project"* - C4

Recognized

As the first prototype showed promise they started planning for a research project further developing the product, as the CEO explained:

“We first built a prototype, a proof of concept, successfully launched to some of C4’s customers… and the proof of concept was used to finance the development of the product” -NV4

During this phase, there were some disagreements regarding the ownership of the idea, resolved by C4 reducing their involvement in the research project, but continued to stay on as pilot customer. They were able to continue the research project with a strong technical partner instead, increasing their technical resilience.

Considered

When the research project was finished, the product was ready to be launched, and they were were considered and in negotiating, the CEO stated:

“we had a long and demanding six month periond before we agreed with C4 on the terms of the agreement… as compliance, confidentiality and rights to the idea was important to C4… We finally landed a marketing and distribution deal, where C4 could market and sell the product to other market actors… That deal opened the door to other market actors”. - NV4

As C4 had a strong legal team, the CEO of the new venture explained that his previous experience from similar sales processes towards large industry actors helped them both make the right choices and gain the necessary legitimacy to establish the relationship.

4.4.4 Legitimacy mechanisms

NV4 explained that they were highly aware of the actions they made in order to build legitimacy in the new market. They especially used their built reputation and domain knowledge gained from building the first product.

Identity mechanisms

NV4 had clearly established their purpose and values before engaging with C4. Their storytelling was used to promote their purpose and values regarding a sustainable future, and were using several channels stating their story, both through their webpage, articles and public foras. They used impression management by highlighting their domain expertise and prior success with other products. The arguments used were based on changes in both consumer behaviors and the customers competitive landscape, framing themselves as a necessity to stay competitive.

Associative mechanisms

NV4 had strong associative ties on all levels prior to the engagement with C4. On the organizational level they had collaborations and established relationships with reputable technology organizations. They also had a strong standing in the entrepreneurial network and in network clusters, making them well known by organizations and individuals interested in sustainable business. They also had strong personal and top managerial ties with individuals in the C4, reducing the barrier to explore a business relationship. NV4 also focused on building a strong relationship with their customer ambassador, and made sure that person always had the necessary information to convince other decision makers within C4.

“we always try to utilize the goodwill gained by our network, and I have noticed that after I joined [CEO with experience] we have gotten more goodwill, especially with investors”

- NV4

Organizational mechanisms

NV4 was also highly focused at developing a robust organizational structure and processes. They used internal milestones to show their product development abilities, and always made sure to over deliver on their promises. As compliance was important to the customer, they were highly proactive by showing both technological and regulatory compliance. Furthermore, they gained a certificate on the quality and resilience of their product. All mentioned to be important to the customer.

4.4.5 Previous experience and customer judgment

Both parties noted the experience base of the new venture as important in the process. NV4 focused on the intricate process of becoming a supplier for C4, as they were demanding in their expectations and in the negotiations. The CEO's previous experience with a similar sales process was noted as critical in reaching a profitable agreement. C4 noted that experienced founders are easier to engage with, as they are better able to understand their perspective. As C4 had experience with other new ventures the customer ambassador explained the following when they consider engaging with new ventures.

"We had three criterias, first, NV's need to be in the region, second there needs to be dedicated people behind the product, third NV's needs to have a pragmatic relationship regarding business model and development potential and not be too rigid… To us, the competence behind the idea is the most important thing… and we have experience that people with prior experience have a better understanding of the business concept and what competencies that are needed ". -C4

4.5 Case 5

Case 5 represents the customer acquisition process between a new venture (NV5) offering customer relations management (CRM) system and a large Norwegian insurance company (C5). The case emerged in 2013 when founders of NV5 were still operating another founded venture. This venture operated in the call center industry and had a need for a CRM system with different attributes than current solutions in the market. They started developing a product for themselves before realizing that this product had commercial potential. Thus, in 2014 first customer contact was initiated with C5. Throughout 2014, 2015, and 2016 NV5 and C5 were engaged in dialog and product testing. As of Q1 in 2017, the first commercial sale towards C5 was conducted.

4.5.1 New venture

NV5 was founded in 2013 by a team of experienced founders while still operating their current venture. One of the founders stepped down from their current venture to pursue NV5, while the other founder had a chair at the board of directors. Shares were split 50/50 between both founders with intent that both would contribute the same amount towards NV5s progression. In 2014 they started development of the CRM system and initiated first contact with C5. In 2015, NV5 hired two experienced software developers while product piloting at their current venture and C5. In 2016, NV5 hired another software developer. In the same year, NV5s CRM system was rolled out at the founders new venture and was ready for sale to other potential customers. NV5 initiated negotiations with C5 which was completed in 2017.

4.5.2 Customer

C5 is a large insurance company which was founded in 1923 with roots back to 1816. The company was listed on a nationwide stock exchange in 2010. The company has over 1900 employees and an annual turnover of 27,9 billion NOK. The company is regarded as a conservative actor, however, they have had a series of partnerships and buyer-seller relationships with new ventures in the past.

4.5.3 Customer acquisition process

Unrecognized

Prior to recognition, NV5s founders were operating another new venture. This venture was a supplier to C5. Thus, they had already established a buyer-seller relationship.

"*We already had a dialogue going before pursuing NV5 through another venture so it was easy to get a meeting. We didn't even have to contact another department from C5 as we were already at the top level as far as purchasing decisions goes.*" - NV5

They also had an early-stage version of their product already developed because their initial intentions were to create a product for the new venture which they were operating at the time. However, they quickly saw commercial potential in the product and pursued new venture development.

Recognized

In this case, the phases unrecognized and recognized blur into each other due to the nature of their already established buyer-seller relationship. NV5 mentioned their early-stage product in a meeting with the buyer and they presented the benefits they could get from adopting this product. C5 developed an interest in the product and NV5 started a need identification process in collaboration with C5. During this process, NV5 started blogging about their collaborations with C5 in addition to many other topics related to the new venture and their product.

"*After we had told C5 about our intentions with NV5, we started setting up meetings with their employees so we could find out if we had what it took to increase their sales. We have always had a need-based approach in terms of acquiring customers and we even created a needs strategy that could be applied to all potential customers.*" - NV5

"*We started a blog where we published our accomplishments in terms of product development and testing with our previous venture. Blogging is something I started doing at a previous employer so I knew the effects it could have on current and potential customers.*" -NV5

After the need identification process, NV5 started further development and adjustments on their product through a pilot project in collaboration with the customer. This pilot was unpaid, but had implications that C5 would buy the product upon completion.

Considered

In 2016, the first commercial version of the product was completed and ready for sale. Negotiations between NV5 and C5 were initiated and NV5 had anchored their product price to a previous sale where the buyer was their other venture. During negotiations, NV5 used their experience, customer knowledge and performance data to substantiate their negotiation. In Q1 of 2017 NV5 closed their first commercial sale with C5.

4.5.4 Legitimacy mechanisms

Identity mechanisms

NV5 used *storytelling*, *impression management*, *analogies and arguments*, and *symbolic action*. Impression management was used to create an image of reliance through highlighting the founders experience in being a supplier to C5 prior. Additionally, they projected competence through entrepreneurial, managerial, and industrial experience. Lastly, they highlighted their new ventures competence through new hires.

"*We used to tell C5 about our latest hires in product meetings. Mentioning that you have gathered great brains will only work in your favor. I remember we got a lot of attention from C5 when we mentioned that we hired two developers from a renowned oil and gas company.*" - NV5

Symbolic action was used in combination with *storytelling* to project one of their organizational values; *being invested in people* implying that NV5 was a purpose driven organization. In a meeting with C5 and on their blog, they presented a story of how they hired a surgeon into a software development position.

"*We wrote a whole article about this on our blog, it's not normal that a software company hires a surgeon right! We wanted to show people that we were a company that invested in people and personal development.*" -NV5

Arguments were used during the initial sales pitch where they declared themselves to be the best fit for C5 as they had greater knowledge about C5s organization than other actors. Additionally, they presented C5s increased performance data (which was gathered during the testing phase) after adopting NV5s product.

Associative mechanisms

NV5 used o*rganizational, individual, and top management ties*. *Organizational ties* were used in combination with *external validation* as a product performance reference through their previous venture, however, the customer deemed this to only be of medium importance.

They used *individual ties* in correlation with being a supplier to C5 prior, thus having a personal connection to both customer representative and purchasing manager at C5. Founders of NV5 had *top management ties* through having top managerial roles at their previous venture.

Organizational mechanisms

NV5 used internal milestones and structures, product deliveries and leaders background. NV5 presented C5 with internal milestone progression both through meetings, their blog and company website. In the piloting phase, NV5 used product deliveries to present new developments of features and functions. The Leader's background was used during the later stages of negotiations with intent to create a sense of supplier reliance.

4.5.5 Previous experience and customer judgment

C5 judged NV5 based on their entrepreneurial, managerial, industrial, and supplier experience. However, C5 mentioned that product fit was a prerequisite for customer judgment of NV5.

"*Obviously the product idea that they presented us had to work according to the plan. If not, we would just find another actor for this supplier role.*" - C5

C5 expressed that NV5 had high quality in their correspondence which was perceived as professional. Additionally, they mentioned that their managerial skills were easily detectable through their structures approach. Lastly, they judged NV5 as a relatively low risk investment as their previous experiences in a supplier role was more than adequate.

"W*e knew what we signed up for, NV5 had delivered on promises in the past and we had benefited from their offerings. We knew one of the founders through his time at a top management role with one of our competitors, so we knew he was capable*." - C5

"*Us having experience ment that we knew what mattered to C5 and what did not. So we didn't have to "walk around the porridge" to much*." - NV5

4.6 Case 6

Case 6 represents the customer acquisition process between a new venture offering software systems for subsea drones (NV6) and a large Norwegian marine transportation provider (C6). This case emerged in 2014 when NV6s founders began feasibility studies and pre-venture work. In 2016, C6 initiated contact with NV6 through their marketing campaign. Throughout 2016 the two parties had continuous dialogue and the product was tested at C6s facilities. In 2016, NV6 opened up for pre-orders of products, which C6 did. In 2017 a commercial sale was completed as NV6 had fully developed their product and could deploy it at C6.

4.6.1 New venture

NV6 was founded in 2015 by a team consisting of three extensively experienced entrepreneurs and one robotics engineer with technical experience. Through 2015 and 2016, NV6 actively conducted product development rather isolated from customer involvement. NV6 has partnered with a university which provides testing facilities and technical knowledge. In 2017, the product was fully developed and ready for commercial sale.

4.6.2 Customer

C6 is a large marine transportation provider founded in 1893 and currently well over 1200 employees. In 2020, they had an annual turnover of 560 MNOK. C6 is listed on a nationwide stock exchange. The company is regarded as conservative and has little experience working with new ventures.

4.6.3 Customer acquisition process

Unrecognized

Prior to recognition, in 2015, NV6 had constructed and launched an award winning social media campaign with intentions of getting public attention, which it did. This campaign led to customer contact initiation, taken by C6.

"*I first heard about NV6 through social media, their offering looked promising and I figured we could use this for our statutory inspection. Immediately I contacted them through their social media accounts.* " - C6

“*We figured, what better way to get attention than to tell our story through social media, at the time, we were used as an example of innovative ways of marketing tech start-ups. It worked like machinery and we started getting inquiries from various different stakeholders.*”
-NV6

NV6 ran a fundraising campaign through social media and achieved 250 new shareholders with intentions of gaining necessary resources for product development and to get closer to the customer mass. NV6 had also partnered with a university, research organization, and industry cluster.

Recognized

After achieving customer recognition, NV6 was in the process of obtaining a certificate from a high status industry foundation. The process lasted less than a year and resulted in NV6 getting a product certificate indicating that their solution was sufficient for ship hull inspection. Afterwards, NV6 opened up for pre-orders in trade for a small repository. C6 pre-ordered the product and an agreement was made that C6 would be getting an early but working version of the product once it was ready.

Considered

Later in 2016, NV6 provided C6 with the aforementioned test product in order to declare if it suited their needs. The test turned out to be a success and the customer implied that they would buy the product upon completion. NV6 had set a fixed price for their offering on their company website. Thus, there was no negotiation. In 2017, NV6s first commercial sale was completed.

“*We tried their solution with the test kit they provided and it was way easier to operate than the other offerings in the market. We were convinced on the spot.”* -C6

“*We knew that getting certified by this actor would increase our likelihood of acquiring more customers, especially those in the shipping industry.* ” - NV6

4.6.4 Legitimacy mechanisms

Identity mechanisms

NV6 used *storytelling*, *impression management*, and *analogies and arguments*. *Storytelling* was used in conjunction with *impression management* during NV6s marketing campaign. Their story was based on the ocean pollution problem and how subsea drones could increase awareness around this issue. They highlight their organizations competence and experiences with intentions creating belief and trust in NV6. *Impression management* was also used during their fundraiser highlighting the prototype's performance. Additionally, they published company documents including *internal milestones and structures* projecting a sense of preparedness and professionality.

Associative mechanisms

NV6 utilized *organizational,* and *top management ties.* NV6 had organizational ties to a renowned technical university, research organization, and industry cluster. The university was providing slight funding and product development and testing facilities while the research organization provided technical knowledge. NV6 used *top management ties* during their marketing campaign associating the founder's previous experience in top managerial roles to NV6.

Organizational mechanisms

NV6 used *internal milestones and structures*, *product deliveries*, *external validation,* and *leaders background*. *Internal milestones and structures* were used during NV6s marketing campaign, fundraiser, and it was published on the company website.

"*We believed in developing products and companies out in the open from the beginning. It comes with far more opportunities than sitting behind closed doors. We also wanted to engage the public and create excitement around the product!*" - NV6

NV6 used *product deliveries* when providing a test kit to C6 and it proved to be a deciding factor of purchase. *External validation* was used through attaining the aforementioned product certificate. Additionally, the certificate provider publicly endorsed their product for ship hull inspection which likely generated legitimacy in the eyes of C6. NV6 used the *leaders background* through their marketing campaign, fundraiser, and company website with intentions of projecting organizational reliance.

4.6.5 Previous experience and customer judgment

C6 judged NV6 mainly based on their products' usability and certificate. The product certificate was mentioned to be a necessity for C6 as it meant that NV6s product could be used for statutory inspections of their ships. Thus, previous experiences mostly influence customer judgment in NV6 being a reliant supplier and service provider. However, C6 embraced the founders previous experiences stating that it was a “quality stamp”. The founder of NV6 stated that experience is key for new venture development.

“I*t was decisive to have some experience prior to pursuing a new venture as customers are offered a great risk in dealing with startups. By having experience on the team it creates credibility and trust. With experience we know how to avoid overselling and under delivering.”* - NV6

Chapter 5

Cross-case analysis

In this chapter, we will conduct a cross-case analysis in order to provide a more holistic understanding and exploration of patterns. The aim of this chapter is to describe this study's findings regarding variations in the customer acquisition process, legitimacy mechanisms, and customer judgment. Firstly, we will conduct a cross-case analysis of cases 1, 2, and 3 which represents the inexperienced founders. Thereafter, we will conduct a cross-case analysis of the cases 4, 5, and 6 which represents the experienced founders. Lastly, we will conduct a cross-case analysis of the two aforementioned cross-cases, looking at similarities and differences between the two founder categories; inexperienced and experienced. In all sections, we aim to describe findings regarding both similarities and differences.

5 1 Cross case analysis 1: Inexperienced founders

In this section we will conduct a cross-case analysis of the cases 1, 2, and 3. These cases combined represent the inexperienced founders analyzed in this thesis. Firstly, we will describe the findings concerning the customer acquisition process. Secondly, we will describe how this founder category used legitimacy mechanisms and how their previous experiences influenced usage of these mechanisms. Lastly, we describe how customer judgment was influenced by the founders previous experiences. In all sections, we aim to describe both similarities and differences.

5.1.1 Customer acquisition process

Unrecognized

The intention of first customer contact for the inexperienced founders was to explore and validate their business concept and initiate a development relationship, rather than sell a product. NV1 and NV2 used various methods of getting the contact meeting, including cold-calling, showing up at their office, and using their third level personal network. NV3 already had a relationship with an ambassador working for their first customer, as he was the idea-owner and later became a shareholder and mentor. The initial customer contact point in case 1 and 2 was department or employees with a mandate to initiate innovation oriented development projects. NV1 and NV2 noted that less innovation oriented contact points in other organizations were less willing to participate in a development relationship. All NVs proposed and agreed on different variations of development projects, where the customer would engage in feedback and testing during the development of the product. These development projects had low contractual commitment and cost to the customer, and established a platform for knowledge sharing building stronger ties with the customer. Table 5 summarizes the key elements in this phase.

	Case 1	Case 2	Case 3
Method of contact	3rd level personal network	Cold-email	Personal network
Product state at first contact	No product	No product	No product
Intention of first contact	Exploring the opportunity	Invitation to participate in development project	Exploring the opportunity

Table 5. Summary of findings in unrecognized phase from cross-case 1

Recognized

When recognized, all inexperienced founders had established a development project with the interviewed customer, they continued with regular meetings and testing of demo-products. They all spent between two and three years in the recognized phase, while they were developing the product. NV1 and 2 had two phases, development projects and a paid pre commercial pilot, while NV3 went through several grand iterations before getting into the consideration phase. All pilot projects had larger or smaller flaws. In case 1 and 3 they experienced greater technical problems when launching their pilot, which resulted in decreased trust from the customers. As the founder of NV1 say:

> *"We expected the pilot to be flawed and would use feedback to improve it, but the customer expected a more or less finished product, leading to many sleepless nights and frustrated customers. We understand now that we miscommunicated what the customers should expect from the first pilot, and maybe have called it something else, as it wasnt really a pilot, more like a pre-pre-pilot"* - NV1

Case 2 also had several product flaws during the pilot phase, however it did not affect their customer relationship as strongly, as they were worked strategically to reduce the customers expectations of the first pilot. Implicating that expectation management is an important element, during a product's early phase.

Even if they all had technical blunders during the pilot phase, all inexperienced founders had a great focus on customer correspondence and building a good relationship with their customers. They all went the "extra mile" to prove that they were committed, and as founder of NV2 said:

"One time a customer could not test the pilot as something was wrong with her router, as I knew how to fix it. We spent one and a half hour on the phone fixing it, instead of sending her to the internet-provider. We ended up getting to know each other quite well after that". - NV2

Another element in focus for the founders was to acquire the competence they lacked, this was also important to the customers. The key elements in this phase are summarized in table 6 below.

	Case 1	Case 2	Case 3
Initiation	Need identification	Need identification	Need identification
Piloting	Development project, free Pilot project, paid	Development project, paid Pilot project, paid	Iterative development project, free
Correspondence	Frequent	Frequent	Frequent, low quality

Table 6. Summary of findings in recognized phase from cross-case 1. Initiation refersdescribes which process the new venture used upon customer contact initiation. Piloting describes how product development was conducted and the adherent contractual terms. Correspondence refers to the frequency and customers perceived quality of correspondence from the new venture.

Considered

When the inexperienced founders were in the considered phase, the most important factor for the customer was a successful product test. If they experienced the product to work well to their needs, the founders prior experience did not matter. As case 1 and 3 experienced greater flaws in the pilot launch, the customers were more careful when testing and making a decision on the commercial product. NV3 gained training on the buying process by their external shareholder, hence had a better understanding how to conduct the sales process of the first product, where NV2 did not to the same degree. All champions were important to the process, especially in case 1 and 3 to influence the buying decision. Furthermore, there were few rounds in negotiating terms, as the inexperienced founders wanted to land their first commercial customer and use that as momentum and by association to the next customers. Even if no price was mentioned, NV1 is assumed to have the highest price among the three, due to product complexity and importance of product, and was also tested the most. It should also be mentioned that all cases were in a similar process with different potential customers at the same time. When it comes to contractual and regulatory compliance, NV2 was noted to be reactive to customers compliance demands, making them more concerned about other elements that might not work. NV1 and 3 did not focus on it before the commercial launch, and was not especially affected by it. Key findings in the considered phase shown in table 7.

	Case 1	Case 2	Case 3
Challenges in considered phase	Flawed pilot launch, needed trough testing	Regulatory compliance	Several flawed pilot iterations
Product testing in negotiation	Free trial	Paid trial	Free trial
Negotiation	Short, negotiated price	Long, anchored price	None, fixed price

Table 7. Summary of findings in considered phase from cross-case 1

5.1.2 Legitimacy mechanisms

Identity mechanisms

A comparison between the inexperienced founders' use of storytelling was that they all used their personal experience to the problem, to put light on their ability to emotionally connect with the problem. NV1 had worked with the problem in a summer internship, NV2 and 3 had been able to connect the problem from personal life. This farming was important to symbolize their understanding of the problem even if they lacked industry experience. As the idea for NV3 came from the customer, they also used that the problem originated from actors in the industry in their storytelling. Impression management was used in several ways. Their university connection was used to exemplicate their competence, both by "piggy-backing" on its technical reputation and other successful new ventures that originated from the university, and drew parallels between those and themselves. Furthermore, they did not hide their "lack of experience" but rather framed it as something positive, as they could see the problem with new eyes, and rather focused on their commitment and competence to create great value to the customer. NV1 was the only one to use new and unique data to show the costs related to continuing doing things as before, and was important to make the customer understand the scope of the problem. Frequent correspondence of progress was used in all cases as a symbolic action to symbolize their commitment.

Associative mechanisms

The only organizational tie all new ventures had established when starting out was their university connection. However, this connection was important to all customers as they knew the reputation well. As C2 stated:

"I don't know if we had gone as far in the process as we have, if they didn't have a connection with the university, as we know that they produce great technical and business talent" - C2

Furthermore, all used their personal ties in order to get in touch with the customer. Either their own, or their network's network. This complies with the theory saying the founders personal network is one of the most important gate openers to new ventures. NV3 was the only one with top management ties, and used their external shareholder as a door-opener to other potential customers. The engagement of this person also helped legitimize them toward their first customer.

Organizational mechanisms

The inexperienced new ventures mostly used organizational milestones and structure in this category. Product deliverables and progress was the most important to the customer in order to perceive the NVs as legitimate. NV1 also mentioned that their ability to reach funding and recruitment milestones also was important to the customer, as they proved their ability to obtain necessary resources. Milestones were mostly communicated directly to the customers. When it comes to regulatory compliance, especially NV2 was especially reactive to structure and communicate their compliance, resulting in several rounds with customers compliance and legal team, making the customers concerned about what other things they were lacking. NV1 only started to focus on compliance when the commercial product was launched, but did not get challenged by the customer on the theme either. NV3 was pushed by their external stakeholder to be compliance, and their proactive attitude towards compliance was highly positive to the customer.

5.1.3 Previous experience and customer judgment

All interviewed customers said that they noticed the founders inexperience, but were mostly interested in their ability to deliver value to them. Hence, if the product delivered the expected value to the customer, the founder's prior experience did not affect their buying decision. The interviewed customers all mentioned that they noticed the founders experience, but in various ways viewed it as a positive factor. NV1's customers said that their new eyes and energy to the problem were regarded as highly positive. As they were challenging an old and established process, their new perspective challenged and changed how the customer thought about it. NV2's lack of experience made them spend more time with the customer to understand their needs. Their customers appreciated this, as they themselves learned a great deal about the new technology NV2 was using, increasing their understanding of it. The latter was also mentioned by NV1 and NV2, and the customer appreciated the unexpected learning output they gained from working with inexperienced entrepreneurs.

Another comparison was the mandate the interviewed customers had. All had a mandate to participate in innovation projects, and was interested in exploring new opportunities. A difference was customer type and deal size of the commercial product. C1 and C2 were private actors and C3 was a public actor, leading to the buying process being more clear. Even if case 1 also had a considerably larger deal size and scope of the product, the customers focus and experience on innovation and new venture suppliers made the process easier than in case 2. In case 2 the ambassador had some new venture experience, but the firm lacked experience with new venture suppliers, making the process logn and demanding, as they needed to go through the established supplier validation process.

5.2 Cross case analysis 2: Experienced founders

In this section we will conduct a cross-case analysis of the cases 4, 5, and 6. When referring to all cases, this consists of the three aforementioned cases. These cases combined represent the experienced founders analyzed in this thesis. Firstly, we will describe the findings concerning the customer acquisition process. Secondly, we will describe how this founder category used legitimacy mechanisms and how their previous experiences influenced usage of these mechanisms. Lastly, we describe how customer judgment was influenced by the founders previous experiences. In all sections, we aim to describe both similarities and differences.

5.2.1 Customer acquisition process

Unrecognized

While the new ventures were still unrecognized by customers, the analysis found that there was a varying degree of relation between the founders and customers representatives. Two cases, 4 and 5, had previous connections to either the customer representative with purchasing mandate at customers organization. Case 5 knew both customers representative and purchasing manager prior due to being a supplier through another venture, while NV4 knew the customers representative through having a strong presence in their shared ecosystem of companies and organizations. Case 6 had no previous relation to the customer in any way.

Prior to recognition, all cases were active in communicating their organization, their progression and product developments through a series of channels. Case 4 and 5 were actively publishing company news on their website and at conferences. Additionally, case 5 had developed a blog with focus on how the industry could improve. Case 6 had put great effort in planning and implementing a social media and digital platform campaign to showcase their current developments, the organizational purpose and values. For all cases, the new ventures were actively using these channels to communicate which was important in terms of gaining recognition from various stakeholders, including customers. Especially in case 6, this was important as they were contacted through their marketing campaign. In case 4 and 5, the new venture was responsible for initiating contact.

During the unrecognized phase, the new ventures from case 4 and 6 had already developed ties to other organizations with intent of increasing the perceived quality of their firm. Case 4 had developed a relation to a renowned information technology consultant company through a previous venture. This relation transfered over to the new venture in question with implication of being used after initiations and initial agreements were made with their customer. Case 6 had developed a relation to a renowned university to ensure product development facilities and equipment, thus, requiring less customer interaction during the product development stage. The university was highlighted in their marketing campaign as a symbol of technical competence which later was deemed important in the eyes of the customer.

In case 5 and 6, both new ventures were well on their way in product development. NV5 had used one of their previous ventures when prototyping their product which layed a good foundation for the adjustments and additional features that had to be tailor made for C5. NV6 had based their product development on groundwork prior to establishing the firm, which made their product close to ready for sale when their marketing campaign began. Case 4 on the other hand, did not start product development prior to being recognized. In Table 8 an overview of the findings from this phase is presented.

	Case 4	Case 5	Case 6
Prior relation to customer	Personal	Professional	None
Open communication	Medium	High	High
Product state	No product	Early version	Under development

Table 8. presents an overview of the main finding in the unrecognized phase. Prior relation to customer described what relationship the founder had to the customer. Open communication describes the level of which the new venture communicated openly about their developments. Product state refers to what the state of the product was prior to initiation.

Recognized

In the case of 4 and 5, the new ventures initiated need identification in collaboration with customers. Although NV5 had a version of their product already, they began understanding customer needs and pain points in order to adjust and build upon their current solution. NV5 did not attain any resources in the need identification phase, except access to information regarding the call center department of the customer. NV4 had negotiated an agreement that during this phase, they were granted partial financing and human capital in terms of software development employees to identify, address and solve their problem. Upon entering this phase, NV4 and NV5 had gained attention from a representative at the customer organization, also called “champion” which helped the new ventures in succeeding need identification. Unlike the aforementioned new ventures, NV6 had an informative approach in initiation showcasing product development timeline.

After needing identification, the new ventures in case 4 and 5 began development and testing through a pilot project. During the pilot project, the new ventures had a strong focus on product resilience and quality. As a result, both new ventures were able to conduct pilot testing without mentionable blunders, neither technical, nor organizational. NV6 were different as they developed their product in isolation, meaning without customer interaction. However, NV6 took a repository from customers as a pre-order partly because they wanted customer commitment.

Throughout the entirety of the recognized phase, in all cases, the new ventures were aware of the importance in correspondence. Thus, they achieved a high quality in their correspondence in the eyes of the customer. Additionally, they made sure that their customer champion was always up to date with their progression and had all necessary information. Their champions got information either through meetings, blogs, website publishing or marketing campaigns. In Table 9 an overview of the findings from this phase is presented.

	Case 4	Case 5	Case 6
Initiation	Need identification	Need identification	Informing customer
Piloting	With customer, paid	With customer, free	Isolated, customer repository
Correspondence	Frequent, high quality	low, high quality	low, high quality

Table 9. presents an overview of the main finding in the recognized phase. Initiation refersdescribes which process the new venture used upon customer contact initiation. Piloting describes how product development was conducted and the adherent contractual terms. Correspondence refers to the frequency and customers perceived quality of correspondence from the new venture.

Considered

While being considered, all new ventures were focused on communicating organizational values and decision logic. In case 4, the new venture was mimicking their customers' organizational values, beliefs, and norms with intent to embrace a sense of similarity between the two parties. In case 5, NV5 continuously presented their new hires highlighting their problem solving competence and technical abilities. Additionally, NV5 employed a surgeon into a software development position because he wanted to change profession. After doing so, they used this as a talking point in meetings, framing it as their organization being heavily invested in people. In case 6, NV6 showcased their team's competence and illustrating organizational values through their marketing campaign.

During the phase of customers considering a purchase from the new ventures different aspects of the product were set to a test. In case 4, the new venture was tested on their regulatory and technical compliance. NV4 was proactive to this, and was sure to be regulatory compliant before C4 requested documentation on compliance. Additionally, their product was tested by a third-party actor on resilience and contingency which granted the product a certificate. Likewise, NV6 worked with a third-party non-partial actor in order to gain a certificate proving that their product was fit for inspection of ship hulls. In case 5, the customer was provided with a period of free product testing. In their agreement, C5 got the product free of charge during this period, while NV5 got all data related to C5s performance during the period. In case 6, C6 was provided with a test kit of their solution. All customers and new ventures viewed the product testing phase as critical for the purchasing decision. Additionally, the new ventures viewed it as important for later customer acquisition processes due to gaining valuable customer feedback.

In case 4 and 5, the new ventures were upfront regarding the negotiations and purchasing decision. Thus, they brought it up already during the recognition phase and it continued into consideration. By doing so, customers deemed the new ventures as having great legal and procedural understanding. From the beginning, both new ventures and customers were implying that the contract would contain a large deal size if product testing was successful. For case 4, deal size and price was negotiated continuously, while in case 5, deal size was static but price had anchoring in the new ventures' other offerings. In case 6, the new venture had set a fixed price for the product which was non-negotiable. In Table 10 an overview of the findings from this phase is presented.

	Case 4	Case 5	Case 6
Value strategy	Conforming (mimicking)	Selecting	Changing
Product test	Paid test	Free test	Free test
Negotiation	Long	Long	None

Table 10. presents an overview of the main finding in the considered phase. Value strategy refers to which of the strategic choices presented by Zimmerman and Zeitz (2002) the new venture used. Product test refers to the contractual agreement in correlation to testing of finished product. Negotiation refers to the time frame for negotiations.

5.2.2 Legitimacy mechanisms

Identity mechanisms

New ventures from all cases used storytelling to provide their audience with information about their company, organizational purpose and importance of the problem they were solving. New venture in case 4 used storytelling during conferences in the unrecognized phase, during the recognized and considered phase they changed their use of channels to meetings and company websites. They based their story on how the change of focus in consumer behavior presented a potential threat for conservative banks. Thus, they projected how their experienced team was motivated to find, develop and deploy appropriate solutions to the problem. Case 5 used storytelling through their various channels, especially their blog. In their blog they describe their experience in working in a “shady” industry and the ethical problems they had encountered. Thus, they emphasized how their organization's motivation and purpose were rooted in developing a solution bettering these ethical issues. For the new venture in case 6, they used storytelling as a means of engaging potential customers in regards to solving the ocean pollution problem. Their marketing campaign was present during all customer acquisition process phases and they had wide bandwidth over social media surfaces.

Impression management was used by all new ventures and they all highlight their founders' experience. However, they also highlighted other various factors. In case 4, NV4 highlights their organizations resilience, product performance and resilience, and domain knowledge. The organizational resilience was highlighted by emphasizing their founders experience in new ventures, management and product development. They highlighted this throughout the entire customer acquisition process. In case 5 and 6, the new ventures used this mechanism in a similar way throughout the customer acquisition process, mostly to ensure customers' perception of organizational reliance.

All new ventures used analogies and arguments on different stages of the customer acquisition process in various ways. In cases 4 and 5, the new ventures used arguments during the consideration stage arguing the reason for why the customer should choose them instead of other actors/competitors. NV4 used analogies regarding the current change in environment and how they could be the customer's response to the proposed threat by focusing on learning the customer about the new space of sustainability software. They did so by leveraging the organizations, especially the founders, domain knowledge. NV6 having customer knowledge as an argument to why they were the prefered supplier during the consideration phase. Additionally, NV6 had gathered performance data from their testing period which was used to showcase how the company had increased department performance after utilizing their product. during both the recognized and considered phase. NV6 had used “positive association” as an argument to why the customer should purchase their product. The positive association was grounded in the built-up sustainability reputation of NV6 which could be used to communicate the customers sustainability focus towards their stakeholders. This mechanism was present during both recognized and considered phases. In Table 11 an overview of identity mechanisms used in cross-case 2 is presented.

	Unrecognized	Recognized	Considered
Storytelling	4 (high), 5 (medium), 6 (high)	4 (medium), 5 (medium), 6	4 (low), 5 (low), 6 (high)
Impression management	4 (high), 5 (high), 6 (high)	4 (high), 5 (high), 6 (high)	4 (high), 5 (high), 6 (high)
Analogies and arguments	4 (high)	4 (high), 5 (high), 6 (low)	4 (medium), 5 (medium), 6 (high)

Table 11. Overview of identity mechanisms used in cross-case 2. Numbers 4, 5, and 6 refer to the different cases. If the number is not shown in any cells, the new venture did not use the mechanism. The parentheses contain either low, medium, or high degree of perceived importance by the customer.

Associative mechanisms

In all cases organizational ties were used at different phases of the customer acquisition process. In case 4, the new venture had organizational ties with a cluster, software consultancy partner, and embeddedness in the ecosystem. All were of importance to the customer, but having partnered with a software consultancy company was deemed the most important due to the increase in product resilience and contingency they provided. This was especially important during the consideration phase. In case 5, the new venture had organizational ties with another venture that the founders of NV5 had developed. However, the organizational tie itself was deemed mostly unimportant by the customer. In case 6, the new venture had organizational ties with a cluster, partner, and university. None of which was deemed especially important in the eyes of the customer.

In cases 4 and 5, individual ties were present during the crosspoint of phases unrecognized and recognized. In both cases, individual ties led to first contact with customers. For NV4, the founders presence in the ecosystem had resulted in the founder of NV4 and customer representative in C4 getting linked up during different events. One of the interactions between the two parties had led to initiation of an explorative relationship. In case 5, the founders of NV5 knew C5 by being a supplier through. Thus, NV5 brought up their new entrepreneurial idea during one of their meetings while having the role as a supplier.

In case 4, the founder of NV4 had a large personal network throughout the shared ecosystem between NV4 and C4. NV4 noticed that having a good position in this enetwork made it easy to initiate and negotiate a supplier contract with the customer. Similarly, the new venture in case 5 had also achieved an embeddedness in the shared ecosystem between the two parties. However, NV5 used these ties to project their competence, eagerness and motivation to solve ecosystem related problems. Like in case 4, this attitude initiation of the customer acquisition process is less troublesome. In case 6, the top management had no ties to a shared network with the customer. In Table 12 an overview of the associative mechanisms used in cross-case 2 is presented.

	Unrecognized	Recognized	Considered
Organizational ties	4 (medium), 5 (low), 6 (low)	4 (medium), 5 (low), 6 (high)	4 (high), 5 (low), 6 (high)
Individual ties	4 (high), 5 (high)	4 (high), 5 (high)	4 (high), 5 (high)
Top management ties	4 (high), 5 (high)	4 (high), 5 (high)	4 (high), 5 (high)

Table 12. Overview of associative mechanisms used in cross-case 2. Numbers 4, 5, and 6 refer to the different cases. If the number is not shown in any cells, the new venture did not use the mechanism. The parentheses contain either low, medium, or high degree of perceived importance by the customer.

Organizational mechanisms

As mentioned earlier, in all cases the new ventures were actively communicating their progression through various channels. Through these channels, the new ventures had established a timeline for product development. Thus, they used both internal milestones in an open forum, available to anyone who wished to engage with the new venture. Additionally, in cases 4 and 5, the internal milestones were presented in closed meetings with customers. Customers in these cases deemed keeping track of the new ventures developments of medium importance throughout recognized and considered phases. In cases 4 and 5, the new ventures were invested in continuously delivering product demos and versions of their product to the customer. This was deemed of great importance during both the recognized and considered phase. In case 6, the new venture was more concerned with updating product development news through their marketing campaign. Their customers mention this to be a good-to-have update, and not especially important.

The new ventures in cases 4 and 5 had developed a strong structural approach to the customer acquisition process, with emphasis on regulatory compliance. Customer in case 4 deemed this to be of immense importance during the recognized and considered phase. Both new ventures deemed structural approach to regulatory compliance to be a prerequisite for purchase. In case 6, this was not mentioned as neither important nor necessary.

In all cases, the leader's background was used similarly across all new ventures. All the new ventures used leaders' backgrounds and even founders' backgrounds to project a sense of reliance in their new venture and innovative product. In cases 4, and 5 this mechanism was used to progress the customer acquisition process from unrecognized to recognized and from recognized to consideres. Additionally, in case 5, the customer deemed the leader's background to be important during the purchasing decision. The mechanism was used similarly by both new ventures in cases 4 and 5 as they had a similar marketing strategy. The Leader's background was used to communicate the new venture's deep understanding of their adherent domains. In cases 4 and 6, this resulted in customer goodwill according to the new ventures. Their customers agreed that the leaders and founders background gave a sense of reliance and lowered the perception of risk during the purchasing process, meaning this mechanism was especially important during the considered phase.

External validation was used to varying degrees from all new ventures with varying degrees of importance to customers. In case 4, external validation was used as a final assessment of the new ventures product, initiated by the customer. This was of the utmost importance for the customer during the purchasing decision. Likewise, in case 6, the new venture had applied for a certificate through a non-partial industry foundation which delivered reputable certificates in the shipping industry. Their product was successfully certified for inspection of the ship hull and the actor found their product to have immensely high quality. Thus, the actor began embracing the new venture's product through various channels such as social media, their company website, local and national newspapers. The customer deemed this certificate not only important, but necessary for the purchasing decision. In case 5, the new venture had previously rolled out a version of their product to another venture which the founders of NV5 were still operating. They presented the performance of their other venture prior to, and after utilizing NV5s product. Their performance had significantly increased which led their customer to see potential in their own performance. The customer in case 5 mentioned that this was useful information during the recognized phase, but it did not influence the purchasing decision. In Table 13 an overview of organizational mechanisms used is presented.

	Unrecognized	Recognized	Considered
Internal milestones and structures	5 (low), 6 (low)	4 (high), 5 (medium), 6 (medium)	4 (high), 5 (high), 6 (low)
Leaders background	4 (high), 5 (high), 6 (low)	4 (high), 5 (high), 6 (medium)	4 (high), 5 (high), 6 (high)
External validation	5 (medium)	5 (medium)	4 (high), 5 (low), 6 (high

Table 13. Overview of organizational mechanisms used in cross-case 2. Numbers 4, 5, and 6 refer to the different cases. If the number is not shown in any cells, the new venture did not use the mechanism. The parentheses contain either low, medium, or high degree of perceived importance by the customer.

5.2.3 Previous experience and customer judgment

In all cases, the analysis found that the founders appreciated their previous experience in new venture development greatly. Their previous entrepreneurial experience made them able to find, clarify, and value customer pain points. This ability stems from having tacit industry knowledge. Thus, the new ventures were able to have less customer interaction during the product development phase, which in turn, resulted in higher quality of correspondence. Additionally, it portrayed the new venture organization as more professional and competent in the eyes of the customer. In case 4, the customer had previously worked with new ventures. However, they perceived a difference in the experience levels between the founders they had worked with previously and the one in case 4. The founder of NV4 had extensively more experience with new venture development than the founders which the customer had worked with previously. Thus, the customer had a perception of the founders greater ability to see the problem through the customer's eyes.

In all cases, the founders had projected a sense of reliance due to their previous experience. This resulted in customers in all cases perceived a lower risk during both the recognized and considered phase. Especially during the purchasing decision this played a role in the customers risk assessment, positively influencing the customers judgment of the new venture, their product, and proposed deal. In case 5, the customer emphasized the importance of having experience as a supplier to be crucial as it provided the customer trust in the new ventures' promise keeping abilities. Customer in case 6 also valued the entrepreneurial experience of the founders, resulting in perceived promise keeping abilities by the customer. This was especially important as the customer in this case had transferred a repository for the product.

The founders in all new ventures had a great understanding of the entire customer acquisition process. This resulted in gaining goodwill by the customer which, according to new ventures in case 4, and 5, influenced their negotiation capabilities positively. Additionally it created a sense of managerial competence and trust in the organization. The founders in all new ventures agreed on having prior experience with management ment that they were able to consistently progress their new venture. Mostly due to having managerial experience which resulted in a founder having a broader business skill set prior to initiating in new venture development.

5.3 Cross case analysis 3: Inexperienced and experienced

In this section, we will conduct a cross case analysis of all cases. The cases 1, 2, and 3 represent the founder category; inexperienced founders. Similarly, the cases 4, 5, and 6 represent the founder category; experienced founders. Firstly, we will describe the findings concerning the customer acquisition process. Secondly, we will describe the findings regarding the founder categories' use of legitimacy mechanisms and how their experience influenced usage of these mechanisms. Lastly, we describe how customer judgment was influenced by the founders previous experiences. In all sections, we aim to describe both similarities and differences.

5.3.1 Customer acquisition process

Unrecognized

Prior to first customer contact all experienced new ventures had established domain knowledge in the area. NV5 and NV6 had an early prototype to showcase, and NV4 could show their first product, as a proof of product development abilities. The inexperienced new ventures's intention of the first customer contact was to build an explorative relationship, as they still lacked a product and the domain knowledge to build it. NV4 also had an explorative relationship, but initiated by the customer due to their interest in their established domain knowledge. NV3, NV4 and NV5 had a prior relationship with the customer before first contact, and NV6 was approached by their first customer. NV1 and NV2 spent more time getting the attention from the right individuals in the customer organization.

Except for NV6, the first customer dialogues were initially explorative and with low contractual commitment. However, NV4 and NV5 went faster from dialogue to formalization of the relationship than the inexperienced. NV4 got resources from C4 to build the first prototypes together, and C5 started a formal pilot testing phase when the customer confirmed their need for such a product. While the inexperienced new ventures went through several stages of dialogue and low-committed development projects, that eventually led to a more formal relationship when the commercial pilot-product was ready. The key elements of this phase is summarized in table 14 below.

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6
Initiator	NV1	NV2	C3	C4	NV5	C4
Initiation channel	3rd level personal network	Cold-email	Personal network	Personal network	Personal network	Marketing campaign
Intention	Explorative	Explorative	Explorative	Explorative	Sale	Sale
Product state	Undeveloped	Undeveloped	Undeveloped	Undeveloped	Early version	In development
Domain knowledge	Low	Low	Low	High	High	High

Table 14. Summary of findings in unrecognized phase from cross-case 3. Initiator refers to who was initiator of first contact between the two parties. Initiation channel refers to which channel was used to initiate first contact. Intentions refers to the common intentions with the relationship between the two parties. Product state refers to which state the product was in. Domain knowledge refers to the founder's domain knowledge prior to first contact initiation.

Recognized

In the recognized phase, all new ventures had an established pilot or development product with the interviewed customers, except in case 6. In case 4 and 5 there was a greater contractual commitment and exchange of resources than with the inexperienced new ventures. Case 1,2,3 started with low commitment development development projects, where their customers would give feedback during the development of the product. Case 4 and 5 spent on average one year less in the pilot phase than the inexperienced new ventures, without there being a large difference in product complexity. This is due to NV1, NV2 and NV3 all spending more time understanding what the product should contain, and NV4 and NV5 had more competence and resources obtained to build it faster. The inexperienced new ventures also experienced more technical blunders, and delivered prototypes the customer was rather dissatisfied with, before making a working version. C4 and C5 did not experience any major faults of the pilot product, and showed better abilities to set and follow the right expectations to the customers.

All new ventures focused on building strong relational ties with their customers, through frequent interactions and correspondence. The inexperienced did this primarily through structured and unstructured meetings and correspondence, in order to symbolize their commitment and progress. The experienced entrepreneurs conducted more structured and precise correspondence, both directly, and through other forums such as blogs and network presentations, as a means to both keep the customers attention and further establish their domain expertise. The interviews showed that the experienced founders had a more conscientious attitude towards their communication with the customers, and the importance of it. A summar og the key elements in the recognized status are presented in table 15 below.

	Case 1	**Case 2**	**Case 3**	**Case 4**	**Case 5**	**Case 6**
Blunders	One major	Several small	Several major	None	None	None
Contractual commitment	Low	Low	Low	High	High	None
Cost	Symbolic price	Symbolic price	Free	Cover all development cost	Free	Repository

Table 15. presents the findings from the recognized phase. Blunders refers to technical blunders during the piloting phase. Contractual commitment refers to the level of customer commitment in the piloting agreement. Cost refers to the pricing of the pilot project.

Considered

The most important factor when customers were considering a buying decision was the product quality, and their perception of its value. As the experienced founders, case 4,5 and 6, had no mentionable product challenges during the pilot/testing phase, they primarily focused on negotiating a fair deal during this phase. In case 5 and 6 the process was rather straightforward, C5 got to test the product for free and C6 paid a small repository to test the product before making a buying decision. In case 4 there was a more demanding testing and negotiation phase, resulting in both a sale and a distribution agreement with C4. As the inexperienced cases, 1,2 and 3, experienced varied forms of technical blunders, the customers were more restrained making a purchasing decision of the commercial product, and demanded to be able to test it carefully before buying. When negotiating, the inexperienced founders spent less time on getting the highest price, than the experienced. They were more encouraged to close their first commercial customer and use them by association to increase their traction with other potential customers and stakeholders.

All experienced founders showed a deep understanding of the customers buying process, as did NV3 who has an external shareholder with prior managerial and industry experience. NV1 and NV2 noted that they used a “trial-and-error” approach in order to understand the customer buying process. Another notable difference found in the considered phase was how the new ventures handled technical and regulatory compliance. All experienced founders, case 4,5 and 6, were said to be proactively compliant before the customer brought it up. Especially in case 4 and 5, who worked with sensitive data and in an area with strict regulatory requirements, focused on building a robust compliance platform prior to negotiation. This was highly important to the customers. In case 1 and 3 compliance was not mentioned as critical in the process, however NV1 noted that they had started exploring the area post product commercialisation to ensure their compliance. NV2 had several situations where the customers were unhappy with their lack of a compliance platform. This regarded both contract content, and their handling of data and sensitive information. Their initial lack of a robust compliance platform reduced the customers' trust, and made them concerned about what else was not in place. Due to NV2’s reactive compliance focus, they had to spend more time building goodwill and fixing their compliance before the customers made a decision. Table 16 highligt a summary of this section.

	Case 1	**Case 2**	**Case 3**	**Case 4**	**Case 5**	**Case 6**
Key factor	Product quality and value	Product quality and value	Product quality and value	Product quality and value	Product quality and value	Product quality and value
Process understanding	Low	Low	High	High	High	Not relevant
Compliance importance	None mentioned	Contractual, Sensitive data and information	None mentioned	Contractual, Sensitive data, systems and strict regulations	Sensitive data, systems and strict regulations	None mentioned
Compliance approach	Post sale	Reactive	None mentioned	Proactive	Proactive	Proactive

Table 16. presents the findings from the considered phase. Key factor refers to the key factors of product purchase. Process understanding refers to the new ventures' understanding of the customer purchasing process. Compliance importance refers to importance compliance in the eyes of the customer. Compliance approach refers to the approach adopted by the new venture in regards to dealing with compliance.

5.3.2 Legitimacy mechanisms

Identity mechanisms

All new ventures utilized *storytelling* with different approaches and storyline foundations. In all cases, the new ventures used *storytelling* as a means of communicating their personal and organizational connection to their adherent problem. Additionally, new ventures communicated a deep inner motivation for solving a specific problem. In cases 4, 5, and 6, the new ventures also used *storytelling* to project their organizational purpose and values with the intention of achieving alignment to the customer firm. In all cases, the new ventures used their founders' experience as a talking point, however, they framed it differently. In cases 1, 2 and 3, the new venture framed their inexperience as a competitive advantage which could provide the customer with new perspectives. The customers in case 1 and 2 deemed “new eyes” to be of value for their firm. In cases 4, 5 and 6, their extensive experience was framed as an attribute of reliance and belief. Their customers agree with having a greater sense of reliance dealing with experienced entrepreneurs. NV4 also used storytelling to inform the customer about the change in their organization's environment and the threat it proposed. In all cases, meetings were used as a channel for storytelling. However, in cases 4, 5 and 6, other channels were utilized. In case 4 and 6, conferences were used. In case 4, 5 and 6, blogs and company websites were used. In case 6, NV6 developed a social marketing campaign containing their story which covered a variety of social media surfaces.

In all cases, the new ventures used *impression management* to some degree. Cases 1, 2, and 3 used *impression management* to highlight the new ventures capability and commitment to solve the customers problems. Additionally, they were open about their entrepreneurial, managerial, and industrial inexperience. However, they turned this iexperience to a talking point to project their eagerness, curiosity, and honesty. Thus, framing their inexperience in a positive way of providing the customer with “new eyes". Also, they highlight their university peers' success as a way of setting expectations towards customers. In cases 4, 5, and 6, the new ventures highlighted their domain knowledge, previous performances, competence, and resilience. All new ventures did so by showcasing either their previous venture, product or organizational success. The new ventures did so with the intent of ensuring the customers perception of organizational reliance.

All cases, except 6, had *analogies and arguments* present during different stages of the customer acquisition process. The new ventures which utilized *analogies* all used “your success is our success” in meetings with the customer. In case 6, NV6 used their new ventures sustainability image as a positive association analogy. Meaning, by being a customer of NV6, it would improve C6s sustainability image. Case 1, and 5 used more concrete *arguments* based on the data they had gathered on customers' performance while utilizing their products. Both customers deemed this argument to have an influence on the purchasing decision. Additionally, in case 5, NV5 used their knowledge about the customer as an argument to convince the customer to establish a buyer-seller relationship with their firm instead of others. This analysis found that there is a disparity in regards to where *arguments* were used between cases 2 and 3 contra 5, and 6. NV5 and NV6 utilized arguments in the considered phase during negotiation in the purchasing process. NV2 and NV3 used arguments during the crosspoint between unrecognized and recognized phases. As mentioned, NV4 had told a story about the threat in the customer's environment. This was followed up by an *argument* that NV4 could be the customer's way of dealing with this threat.

All cases used symbolic action in the form of a high level of correspondence throughout the entire customer acquisition process. All new ventures were utilizing this mechanism with intent to show a high level of commitment towards the customer. Additionally, in case 5, the new venture used symbolic action to project organizational values towards customers.

Associative mechanisms

In all cases, the new venture used organizational ties to associate with other organizational entities, but did so to a varying degree. In cases 1, 2 and 3, the new venture had formed an organizational tie to a university renowned for its technical competence. For customers in case 2, and 3, this tie was deemed important throughout the entirety of the customer acquisition process. In case 2, the analysis found that if NV2 did not have an organizational tie with the aforementioned university, C2 were unsure if they had followed through on the purchasing decision. Similarly, C1 had a lower perceived risk in engaging with NV1 due to their tie to the university. In case 3, it is necessary to express that the university and C3 are the same actor. In cases 4, 5, and 6, the new ventures had formed stronger organizational ties with various actors. In case 6, NV6 had also formed a bond to a technically renowned university. Additionally, NV4 and NV6 had developed an organizational tie to an industry cluster, and partner firm. Both these ties were deemed to be important for the customer. The ties to partner firms played a crucial role in the purchasing decision in both cases as they represented a third-party non-partial product tester and certifier. In cases 4, 5, and 6, the new ventures had developed organizational ties with other organizational entities in their shared ecosystem with the customer. For all cases, both parties verified that this was of importance to the initiation of first contact. For cases 1, and 2, the new ventures did not have any organizational tie with any actors in the customers ecosystem. Thus, resulting in a longer period of attempting initiation of first contact. Additionally, the new ventures perceived a greater challenge of progressing past the recognized phase because the customers projected that the new ventures were still unproven.

Individual ties were used in all cases, except case 6, to varying degrees. For cases 1, 2, and 3, individual ties were used to a lower degree as all new ventures used 2nd order personal networks to reach the customer. In case 3, NV3 had previously studied in courses run by C3 which led to C3 choosing them instead of other competitors. In cases 4, and 5, individual ties between the founders and customer was the sole reason for initiation of the buyer-seller relationship. In case 4, their individual ties came from NV4s presence in their shared ecosystem while in case 5, NV4s tie came from being a supplier to C5 prior to engaging in development of NV5. In case 6, individual ties to the customer were not present. In cases 1, 2, 3, and 4, the new ventures focused on building a strong personal relationship with a customer champion. Additionally, the new ventures focused on feeding the customer champion with all necessary information regarding the new ventures developments. The customer champion deemed to be of great importance for all these cases as they were able to communicate the new ventures' value further inside their organization.

Top management ties were present in cases 3, 4, 5, and 6. In cases 4, 5, and 6, the founders themselves had experience from top managerial roles in various organizations, both new ventures and established companies. Additionally, they had experience to show for when communicating with the customer. In case 3, NV3 had attained a shareholder with experience in top management roles in the customers organization. Thus, the tie between NV3 and C3 were strengthened due to the shareholders position in C3. In all cases, top managerial ties were deemed to create belief in the new ventures' success.

Organizational mechanisms

In all cases, internal milestones were present throughout the entire customer acquisition process. All new ventures, except NV6, presented internal milestones during status meetings with customers. In case 1, NV1 used their success in achieving funding as a critical milestone projecting their increase in runway. C1 deemed this to prove NV1s business competence. In cases 4, 5, and 6, the new ventures used a series of additional channels to present their milestone progression. NV4, NV5 and NV6 used conferences, blogs, and company websites. NV6 used their company website and their marketing campaign exclusively to communicate their milestone progression. This represents a discrepancy in forums used to communicase milestone progression between cases 1, 2, and 3 contra cases 4, 5, and 6, implying that the latter had an increased reach of communicating new venture progression.

In all cases, product deliveries were both used and viewed as the most critical mechanism for being deemed legitimate by the customer. In cases 1, 2, and 3, the new ventures managed to deliver versions of their product to the customer, however, NV1 and NV3 stumbled upon greater technical blunders upon delivery. C1 and C3 had expected to be presented with a better product during this phase. NV2 were more frequently presenting products with smaller technical problems, but the customer did not view this as important. Customers in cases 1 and 4 implied that the NV1 and NV3 had a lowered competence in expectation management. In cases 4, 5, 6, the new ventures were able to deliver pilot products without mentionable technical issues as they had focused on product quality and resilience. Their customers deemed this to increase the new ventures to have extensive technical competence.

The analysis found a discrepancy in the internal structure of the new ventures and their ability to communicate their managerial control over the customer acquisition process. In cases 1,2, and 3, the new ventures had little-to-no knowledge about the purchasing process and its adherent structure. Thus, it resulted in a reactive approach which was based on “learning on the fly”. Having a reactive approach, and C2 challenged and NV2 on regulatory compliance and understanding. Thus, resulting in the timeframe for the purchasing decision being dragged out. In cases 4, 5, and 6, on the other hand, the new ventures communicated a strong understanding and structural approach of the entire process from start-to-finish. Additionally, the new ventures in these cases adopted a proactiv approach in terms of regulatory compliance. Thus, founders of NV4, NV5, and NV6 were more confident bringing up contractual terms earlier on in the customer acquisition process compared to new ventures in cases 1, 2, and 3. The proactive and structural approach adopted by new ventures in cases 4, 5, and 6 made customers embrace and appreciate their managerial experience.

The analysis found a discrepancy in usage of external validation between two experience categories. The experienced founders used external validation in two different ways. NV4 and NV6 used external validation through achieving certificates from a third-party non-partial actor which was deemed of high importance to the customer during the considered phase. NV5 had deployed their product at another venture and they used that venture's performance data to validate the value of their offering. However, this was viewed as good-to-have information but not particularly important.

The leader's background was only used in cases 4, 5, and 6 and it was used fairly similarly throughout the customer acquisition process. All the new ventures used the leader and founders background to project a sense of reliance on their new venture and innovative product. The Leader's background was used to communicate the new venture's deep understanding of their adherent domains. In cases 4 and 6, this resulted in customer goodwill according to the new ventures. Customers in cases 4, 5, and 6 agreed that the leaders and founders background gave a sense of reliance and lowered the perception of risk during the purchasing process, meaning this mechanism was especially important during the considered phase.

5.3.3 Previous experience and customer judgment

When analyzing how the founders previous experience affected customer legitimacy judgment three factors were similar between the experienced and the inexperienced founders. First, if the product and terms met the customers' expectations and needs, founders prior experience did not influence the buying decisions. Especially C1, C2 and C3 noted that the buying decision was only related to the product and terms of agreement, and their developed trust in the founders as capabilities and commitment to further develop and maintain product and service. Second, all customers appreciated what the authors decided to name "entrepreneurial attitude", where attributes such as curiosity, grit and guts increased their legitimacy as new venture founders. As new ventures were creating something new, their "entrepreneurial attitude" helped convince the customer that they would be able to do it.

Third, all customers appreciated what the authors call a "low barrier for engagement". In all cases the customer was curious about the area the new venture was focusing on. However, if the customer would use established actors to explore the area, the cost of resources and time to explore it would be significantly higher, and reduce the chances of improving themselves. In Table 17 an overview of the findings regarding customer characteristics is presented.

"We were interested in exploring the area, but it would take too much time and resources to engage an established actor or consultants… The low barrier for engaging with NV2, and exploring the area together, was highly important for us in exploring the opportunity". - C2

	C1	**C2**	**C3**	**C4**	**C5**	**C6**
Customer orientation	Innovation oriented	Innovation oriented	Innovation oriented	Both	Conservative	Conservative
Ambassador mandate	Mandate to pilot	Mandate to pilot	Mandate to pilot	Mandate to open dialogue	Mandate to purchase	Mandate to purchase
New venture experience	Yes	No	Yes	Yes	Yes	No

Table 17. presents the findings regarding customer characteristics. Customer orientation refers to the orientation of the customer whether it be innovative or conservative, or both. Ambassador mandate refers to the mandate of the customer ambassador. New venture experience tells whether the customer had experience in working with new ventures in the past.

In all cases, the customer conducted a risk assessment during the considered phase, more specifically as a necessary assessment in the purchasing process. All customers agreed that there is inherent risk in engaging with new ventures, setting their base risk of engagement at high. In the cases 1, 2, and 3, the customer perceived a higher degree of risk due to the new ventures' inexperience. However, their common feature in having ties to a renowned university reduced the perceived risk. In cases 4, 5, and 6, all customers agreed that perceived risk was greatly reduced due to the founders managerial, entrepreneurial, and industrial experience. Especially managerial experience was pointed out to reduce risk in the eyes of the customer due to the new ventures' promise keeping abilities. In case 4, NV4 was perceived as reliant due to their previous accomplishments regarding product development. In case 4 and 5, the new ventures were perceived as reliant due to their previous experience in being a supplier. In case 6, their certificate and endorsement provided by a third-party non-partial actor also reduced the perceived risk of purchase. However, the customers of the inexperienced founders viewed their newness as a positive feature. And their new perspective made it possible to challenge and change established beliefs for the customer. Table 18 summarizes the positive and negative elements noted to be influenced by the founders previous experience, analyzed in this section.

	Experienced	**Inexperienced**
Positive	• New venture attitude • Setting clear product delivery expectation • Faster process • Find. clarify, value customer pain points • Structural performance and promise keeping • Lower perceived risk in purchasing process	• New venture attitude • Provides “new eyes” • Eagerness, curiosity, honesty • Low cost barrier • Customer learning output
Negative		• Setting “wrong” product delivery expectations • Longer process, needed to learn new venture about domain and process • Compliance

Table 18. Illustrates attributes of two founder categories and their impact on customer judgment

Chapter 6

Discussion

This chapter discusses the findings of the analysis in the context of theoretical gaps and ambiguities presented in the introduction. The findings convey implications for both theory and practice which will be discussed further in this chapter. First, we describe how the assessment of the research questions enabled the purpose of this thesis to be fulfilled. Figure 4 illustrates the interconnectedness of legitimacy between new ventures and customers' legitimacy judgments, as well as the influence of founders' previous experiences on the strategic effort of legitimation. Founders experience refers to the founders entrepreneurial, industrial, and managerial experience prior to initiation of new venture development. Describing the influence of founders experience on new ventures strategic legitimation provides a better understanding of customer legitimacy judgment and workings of legitimacy mechanisms, as called for by Fisher et al. (2017) and Überbacher (2014).

Firstly, the conceptual model illustrates the founders' previously experienced influence on customers' judgment of new ventures' legitimacy. Secondly, it illustrates how founders' precious experiences influence the strategic actions i.e. legitimacy mechanisms that a new venture utilizes in order to attain legitimacy towards customers. RQ1: *How does founders' previous experiences influence legitimacy towards their new ventures' first customers?* addresses customer legitimacy judgment describing the fundamentals upon which the judgment is based. In this section we will use findings from the analysis as a basis to discuss the fundamental factors; product value, customer characteristics, experience as a feature and setting expectations. RQ2: *How do founders' previous experiences influence their usage of legitimacy mechanisms?* addresses the usage and customer judgment of the legitimacy mechanisms deployed by the case firms. In this section, we will use the findings in the analysis to discuss how previous experiences influence both usage and results of the deployed legitimacy mechanisms in three sub-categories; identity mechanisms, associative mechanisms, and organizational mechanisms.

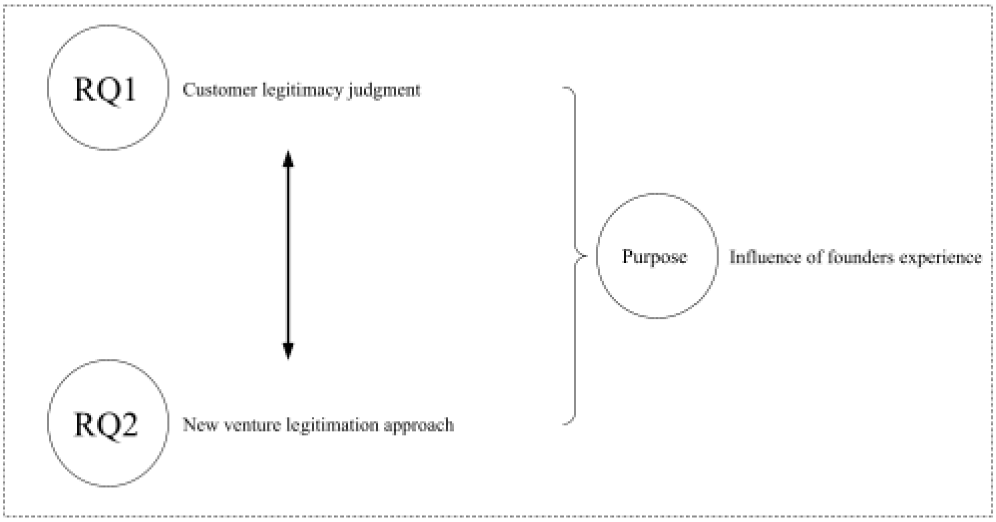

Figure 4. Conceptual model illustration fulfillment of thesis purpose

6.1 Customer legitimacy judgment

In this section the authors will discuss how the founders previous experience directly or indirectly influence customers' legitimacy judgment. The authors have used the findings in the analysis to map out four important topics to further discuss; product value and customers legitimacy judgment dimensions, customer characteristics and innovation orientation, how varying degree of experience can be used as a feature and finally how experience affects founders ability to set expectation setting. The following discussions are made to answer the first research question.

6.1.1 Product value

The analysis presents that the most important driver for the customers' purchasing decision is the product, and its ability to solve their needs. Furthermore, the analysis shows that the customer's judgment of the product or service is independent from the founder's level of previous experience. This finding suggests that customer legitimacy judgment contradicts the general assumption of stakeholder legitimacy judgment, where the founders' prior experience is assumed to affect new venture legitimacy (Tornikowski and Newbert, 2007; Zimmerman and Zeitz, 2002). However, Fishers' et al. (2017) argue that different stakeholders have different dimensions for judging new venture legitimacy. The analysis shows that customer legitimacy judgments contrast from the general stakeholder research. The findings further develop Fishers' et al. (2017) thesis of stakeholders' unique dimensions and criterias for legitimacy judgment. The authors suggest two dimensions to evaluate customer legitimacy judgment of new ventures suppliers. First, the customer perceived value, monetary or otherwise, of the products or services delivered or in development by the new venture. Second, theur judgment of the new ventures' abilities in delivering the expected value. The latter will be further discussed in the following chapters, as it considers how new ventures prove their abilities to deliver value.

The two dimensions suggest that founders' prior experience is not a hindrance for being perceived as legitimate by their first customers, if they are able to meet them. The following discussion will concern how founders previous experience influence new ventures' possibility to prove their value and abilities to the customer, in order to be perceived as legitimate.

6.1.2 Customer characteristics

Building on the discussion on product value and dimensions for customer legitimacy judgment, the analysis found that all the customers of the inexperienced shared the characteristic of being highly innovation oriented, both as in the organization and the individuals involved in the process. Shepherd and Zacharakis (2003) describe that the more a customer understands about a new venture and their offering, the more lightly they are to engage in a buyer-seller relationship. It can be argued that more innovation oriented firms have a better foundation for understanding new ventures and their products, and increasing the inexperienced founder's chance at getting the “foot in the door”. Further making it possible to build a personal relationship with the customer, increase their knowledge and resource base, and prove their value and abilities to deliver them. As the inexperienced founders initially had little prior accomplishments to showcase, the customer's perception of the founders was mentioned as more important to their legitimacy judgment. Following this logic, when founders lack something to showcase their value to the customer it is increasingly important to get a platform to prove their personal capabilities in order to build legitimacyFurthermore, the findings imply that it is less difficult to access such a platform with customers that value innovation and have norms and mandate to explore it. Hence, the authors argue that an actor's innovative orientation affects the likelihood for inexperienced founders to be deemed legitimate, as they are more prone to understand the new venture, increase the chance of accessing a platform and where they can prove their value and ability to deliver it.

Another customer characteristic important for building the new ventures overall legitimacy is their first customers industry status. The finding supports Khaires (2010), describing that high status customers are a driver for higher revenue. In all cases analyzed, the status of their first customer had an impact on the challenge of acquiring the following customers. Especially in case 1 and 4, but also noticed in case 2, 3 and 5, the high industry status of the first customer, lead to several new customers by piggy-backing on their first customers reputation and status. Hence, the authors argue that for all new ventures, and especially for inexperienced founders, they can make a strategic choice of who they try to acquire as a first customer in order to increase their chances and pace in overcoming the “liability of newness”.

6.1.3 Experience as a feature

In the analysis, there was disagreement between the two customer categories. Both customer categories argued that their founder's level of experience was viewed as positive in their legitimacy judgment toward the new venture. The authors see two probable reasons for this division. First, Cooper and Bruno (1977) and Feeser and Willard (1990) present that founders' previous experience have an impact on the new ventures' risk of failure, where higher level of experience, including industrial, managerial, and entrepreneurial experience, reduce the risk of failure. The analysis also shows that the experienced founders’ high level of domain knowledge and former experience reduced the customers perceived risk of engaging with them. The analysis also strongly indicated that they were more risk oriented than the customers of the inexperienced. The advantage of experienced founders is the reduced risk, making it more achievable for them to acquire more conservative or risk oriented customers. Hence the first probable explanation is that more risk averse customers find experience more important than more innovation oriented customers.

On the other hand, the analysis shows that the inexperienced entrepreneurs were deemed legitimate also because of their inexperience, not contrary to. The customers explained that their “new eyes” to the problem, and their curiosity challenged and changed established beliefs the customer had prior to their contact, increasing their legitimacy. Even if their lack of experience made the process more volatile, the founders' energy and fresh perspective was noted to weigh up for the lack of experience. Implying that newness can be an asset to distinguish themselves from peer firms and competitors, and reach legitimacy distinctiveness

(Zhao, 2017). Furthermore, as previously described, the customers in case 1, 2, and 3 were highly innovative oriented, leading to appreciate their contribution with new eyes. Hence, with some types of customers inexperienced founders can utilize newness as a distinctive feature separating themselves from peers to build legitimacy, making it interesting to further research.

6.1.4 Setting expectations

Another relevant finding from the analysis was how experience influenced the founders ability to set precise and motivating expectations for the customers during the customer acquisition process. The inexperienced founders experienced several situations where there was a divergence between their own and their customers' expectations, especially when it came to the product functionalities of the pilot product in case 1,3. This mismatch of expectations, where the customers expected more than what was delivered, reduced their current level legitimacy with the customer and had to slowly build it back. This finding agrees with the established theory, as new ventures' ability to meet the expectations of stakeholders are an important signal affecting their legitimacy (Nagy et al., 2012; Parson, 1960). It can be argued that there are three probable reasons for the difference in expectation setting abilities between the two groups. First, the experienced founders had a better understanding of what was accomplishable to deliver within a certain time frame. Whereas the inexperienced noted that they struggled with understanding what they were able to do in a certain timeframe, and rather set a date in order to have a timeframe to work with. This argument is backed by (Dimov, 2010) as experience, especially entrepreneurial, has a positive impact on founders early planning and development abilities. Which all experienced founders had, and none of the inexperienced.

The second probable reason is the founder's ability to understand the customers norms, values and beliefs, and adjust how they set the expectations thereafter. During the interviews the experienced founders were able to precisely describe the factors most important to the customers, later confirmed when the customer was interviewed. The inexperienced pointed out that they eventually learned what was important to the customer, and recognized that their lack of understanding had an impact on their faulty expectation setting. Building on Dimov’s (2010) argument that tacit industry specific knowledge only is obtainable by experience.

Thirdly, the analysis shows that there was a difference in how conscientious the founders were in regards to expectation setting. NV2 described a more conscientious attitude with their expectation setting, and was less affected by faulty product demos, as the customers had low expectations of the first product deliverables. The experienced founders described an approach of "under-promise and over-deliver". Both reducing the risk of not delivering to expectations, and enabling themselves to increase legitimacy in their product delivery abilities if they were delivering over the customer expectations. One could argue that founders' ability to set and meet expectations influence the customers' legitimacy judgment. As inexperienced founders might lack the necessary process experience and customer understanding, they can use "under-promise and over-deliver" as a strategy to reduce the risk of a mismatched expectation setting reducing their legitimacy.

6.2 Legitimacy mechanisms

In this section we will discuss how the two founder groups; experienced and inexperienced used legitimacy mechanisms differently. The section is divided into three subcategories of legitimacy mechanisms; identity, associative, and organizational mechanisms. Identity mechanisms contain storytelling and impression management with elements of internal milestones since they were used coherently. Thereafter, we discuss usage of associative mechanisms, content organizational, individual, and top management ties. Lastly, we discuss organizational mechanisms containing internal structures and external validation. We will not discuss product deliveries even though it was used by both founder groups because it was covered in the previous section.

6.2.1 Identity mechanisms

The findings in the study suggest that experienced founders are able to communicate their organizational purpose and values through storytelling, impression management, and internal milestones. In alignment with (Nagy et al., 2012), the experienced founders use the legitimacy mechanism leaders background in combination with impression management to project their experiences as a symbolic means of tackling their customers' problems with competence. Mentionably, due to the nature of being inexperienced this group cannot utilize the leaders background legitimacy mechanism which proposes that not all founders are able to utilize all mechanisms described in literature. However, the inexperienced founders use impression management mostly to focus on their eagerness, curiosity, and honesty. In alignment with Baron and Markman (2003), the inexperienced uses impression management to successfully gain positive reactions for their social competence. However, our findings suggest that the experienced founders aligned with literature and achieved greater results from impression management by gaining positive reaction from customers due to their preparedness, social competence, and experienced based credentials (Collins, 1979; Useem and Karabel, 1968). Thus the findings suggest that the inexperienced could gain more legitimacy through impression management by being more prepared prior to first contact initiation and projecting a sense of preparedness towards customers. Finally, founders using identity mechanisms while utilizing both their organization and its individuals have greater chances of attaining legitimacy.

The experienced founders also used a wider bandwidth of communication channels to broadcast storytelling, impression management and internal milestones. The difference in channels involved blogs, company websites, conferences, and social media. This applies to all experienced cases, but it becomes especially prominent in case 6 where the founders had launched a marketing campaign containing a well constructed story of how NV6s organizational mission, purpose and values contributes to the fight against ocean pollution. Thus, aligning with Garud et al., (2014), and Loundsbury and Glynn, (2001), suggesting that stories are a strategy of making the customers understand the future necessity of NV6. Additionally, as NV6 intended to project organizational professionalism through their marketing campaign, this aligns with Suchman's (1995) statement about using a strategic perspective to attain organizational legitimacy through constructing and deploying meaningful symbols to garner societal support. Thus, founders actively communicating usage of identity mechanisms increase customers' knowledge of their new venture, increasing likelihood of legitimacy attainment.

6.2.2 Associative mechanisms

In this section we will discuss the difference in usage of associative mechanisms across the two founder categories; experienced and inexperienced. Thus, the first topic of discussion will be how the founders used organizational ties to initiate and develop customer relationships. Afterwards, we will discuss how individual ties had an important role for initiation. Lastly, we will discuss the top management ties between founders and customers and how it was leveraged by the two founder categories.

Organizational ties

The findings in this thesis suggest that organizational ties are heavily important regardless of the founder's experience level. Although it seems that having ties with knowledge units such as universities have an increased influence on the customer's judgment for inexperienced founders. This aligns with Zimmerman and Zeits (2002), stating that by being associated with credential actors, new ventures can "piggy-back" on that actors reputation, hence reducing the perceived risk of engaging with the new venture. One could argue that the findings suggest that organizational ties to knowledge units can be used as a replacement for knowledge base resources attained through entrepreneurial, managerial, and industrial experience. Additionally, we argue that developing such ties could be used strategically to act as an antidote to inexperience.

Shifting focus onto the experienced founders, the findings suggest that organizational ties to third-party actors in the shared ecosystem as the customer have an increased chance of generating legitimacy through the later stages of the customer acquisition process. This correlates with Plummer et al. (2016), proposing that third-party affiliations can compensate for the uncertainties of engaging with a new venture that lacks track-record. Especially when zooming in on the purchasing decision where the experienced used these ties to validate their products and comply legally. These ties also seemed to work as a door opener and initiation tool for new ventures, which comply with Zimmerman and Zeits, (2002). Thus, we propose that inexperienced founders could, according to Milanov and Fernhaber (2009), reduce time spent in the unrecognized phase while simultaneously building valuable organizational ties through having a strong presence in the shared ecosystem. Strategically connecting with third-party actors who can endorse the inexperienced new ventures or products later on could help legitimacy building towards customers.

Individual ties

The findings in this thesis suggest that the experienced had a greater individual network prior to initiating in new venture development. The experience benefited greatly from this network because it led to a faster and more convenient way of initiating and developing customer relationships during the unrecognized and recognized phases. Additionally, their vast individual network increased their new ventures' exposure towards other potential customers operating in the same ecosystem. On the other hand, the inexperienced founders used a third order network to establish first customer contact. Which suggest that individual ties represent the utmost important factor for customer contact initiation and early legitimacy gains. This aligns with Packalen (2007) which states that social connections can be viewed as the most important asset for their new ventures emergence. Thus we suggest that the inexperienced could benefit from developing and executing on a networking strategy with intent of increasing product and organizational exposure towards potential customers and third-party actors. Additionally, executing on such a strategy could increase chances of connecting with potential customer champions in different organizations. The term customer champion stems from Johnson et al. (2006), which describes it as an external individual within a stakeholders organization that has the ability to broadcast information further inside their firm. Thus, providing relevant information regarding the new venture and product progression maymey be involved in the networking strategy. Mostly in hopes of spreading information throughout and deeper inside potential customers organizations.

Top management ties

As the nature of top management ties, according to Fisher et al. (2017), lie in founders association with previous top managerial roles, one could argue that in correlation with the legitimacy mechanism leaders background, the inexperienced may not be eligible to use this mechanism. However, as seen in case 3, this may be bypassed through hiring or including a person with top managerial ties into the new venture organization. Thus, benefiting from the legitimacy mechanism without founders possessing the necessary needs to be the central individual for this mechanism to function.

6.2.3 Organizational mechanisms

In this section we will discuss the usage of organizational mechanisms and how it differs between the two founder categories. We will start off by discussing how internal milestones and structures were used and communicated towards customers. Afterwards, we will discuss the importance and usage of product deliveries. Then, we will discuss the discrepancy in external validation between the two categories and finish off by discussing the leader's background and its prerequisites of use.

Internal milestones and structures

As internal milestones were discussed previous, we will focus on internal structures in this section. The findings in this thesis suggests that experienced entrepreneurs are able to adopt a proactive and structural approach to the customer acquisition process. Mentionaly, the customers appreciated their ability to be proactive in terms of compliance processes. According to Delmar and Shane (2004), this implies a legal structure of the new venture that symbolized organizational legitimacy. Furthermore, the communication of legal and procedural compliance can provide the new venture with legitimacy (Suchman, 1995; Palazzo and Scherer, 2006). On the other hand, the inexperienced had a reactive approach involving the “learn on the fly” mentality. Therefore, we argue that the inexperienced could attain more legitimacy towards the customer by combining the usage of two legitimacy mechanisms; internal structures and impression management. By setting aside time to prepare a structured and proactive approach to compliance, we argue that they might benefit greatly by camouflaging their inexperience. As an example, this was done by NV3 which attained a customer champion with the necessary knowledge to do so.

External validation

The findings in this analysis suggest that there is a discrepancy in use of external validation between the two founder categories. The experienced use external validation through third-party non-partial actors which also resulted in endorsements. This aligns with Sine et al., (2007), which states that validation through a central institution with high status can provide the new venture with legitimacy. As this proved to be especially important during the purchasing process, we suggest that the inexperienced seek validation in some form through another actor than the customer. This argument is based on the findings in case 5 where NV5 uses product performance data as an attempt to validate. However, this is deemed to be not as important. Product certificates were a deciding factor for purchase in case 4 and 6 which suggest that attaining one could benefit the inexperienced both in sales propositions and negotiations. Thus, founders should seek external validation through high-status actors within the customers ecosystem to increase the customers perceived legitimacy.

6.3 Reflections on discussion

To summarize the discussion, the findings suggest experience is less important to customer legitimacy judgment than previously believed. As customer legitimacy judgments are suggested to be concerned with the new ventures potential value to the customer, and their ability to deliver it. This further develops the research area of stakeholder judgment, and builds on Fisher et al. (2017) who argue that different stakeholder deem legitimacy on different criterias. Furthermore, the discussion argues that experience still affects the new ventures' chances to prove their value and abilities, where more innovation oriented firms are more likely to give them a chance to prove themselves. Building on Shepherd and Zacharakis (2003), describing that customers with a higher understanding of the product have a higher chance of buying.

The authors find the findings of inexperienced founders' asset of newness to be one of the most interesting. As this finding came unexpectedly, the authors were not able to present a more detailed picture of why and how newness can be used as a driver in building legitimacy, and the authors encourage others to further explore the phenomena. Less unexpected was the finding describing how more experience reduces the customers perceived risk, supporting the Cooper and Bruno (1977) and Feeser and Willard (1990) that experience is an attribute influencing stakeholders perceived risk. Furthermore, the findings suggest a correlation between experience and expectation setting abilities, supporting Dimov's (2010) argument that prior experience increases planning and expectation setting abilities.

Founders can utilize identity mechanisms with both their organization and individuals as the foundation. Customers with higher knowledge of the new ventures organizational identity award greater legitimacy gains towards a new venture. Thus, we suggest that founders, especially the inexperienced, can benefit from a "out in the open" approach to new venture development.

Founders network associations whether it be social connections, partner organizations, or to top managerial roles increase speed in contact initiation and the customer acquisition process. Thus, we suggest that inexperienced founders could construct and execute a networking strategy contiguous with the “out in the open” approach. Ties to knowledge partners is a possible antidote and justifier of inexperience in the eyes of the customer. Another suggested antidote is employing individuals with top managerial roles into the board of directors in the new venture.

Founders adopting a proactive approach to compliance excels the purchasing process with a sense of professionalism and preparedness. Thus, inexperienced founders can partner with organizations with compliance knowledge to camouflage inexperience. Gaining external validation from high-status actors in the customers ecosystem positively impacts purchasing processes. Thus, we suggest that founders should seek validation from such firms, excluding actors in their customer base due to biases.

In the process of analyzing all cases, some legitimacy mechanisms outlined by Fisher et al. (2017) and Überbacher (2014) did not appear. Thus, this thesis does not explore how the founder's previous experience influenced the following legitimacy mechanisms; *sensegiving*, *cultural agencies*, and *collective framing*. Thus, it presents an interesting topic for further research and exploration.

Chapter 7

Conclusion

The purpose of this study was to explore how founders' previous experience influenced their first customers' legitimacy judgment. Considering both the influence of experience as a factor itselves, and how experience had an impact on the founders actions, the study is built on theory concerning the concepts of customer legitimacy judgment, legitimacy mechanisms and buyer-seller relationships. Six case studies were conducted, where both the new venture and their customer was interviewed in order to answer the research questions:

RQ1: How does founders' previous experiences influence legitimacy towards their new ventures' first customers?

RQ2: How do founders' previous experiences influence their usage of legitimacy mechanisms?

To answer the first research question, the study confirms the assumption that experienced founders are better suited to build customer legitimacy, as they have more to showcase and a stronger foundation to build on, however, it is made clear that it is not a necessity. Customer legitimacy judgments were proven to be mostly concerned with the new ventures' ability to deliver value to them. If they were, the founder's level of experience is more or less insignificant. Furthermore, the inexperienced founders still need a platform to prove their capabilities in delivering value, and have a higher chance to do that with innovation oriented customers. Whereas experienced founders are better suited to also obtain more concervative actors as their first customer. A more surprising finding was the customer's positive judgment of newness, where inexperience proved to be beneficial to the new venture's legitimacy with innovation oriented customers.

To answer the second research question, the study shows that experienced founders are more strategic in the use of legitimacy mechanisms, and use them more interconnectedly, whereas inexperienced founders are restricted from full access to the specter of mechanisms, as some are based on prior experience. However, they were able to bypass these limitations by focusing on the elements the customer was most concerned with. Furthermore, experienced founders used more channels to build their legitimacy, influencing the pace needed to obtain customer legitimacy.

The findings contribute to further develop the research area's understanding of customer legitimacy judgment called upon by Fisher et al., (2017). Both introducing dimensions and characteristics for further evaluating customer legitimacy judgment. Furthermore, the findings support the usage of legitimacy mechanisms when analyzing new ventures' actions and their influence on legitimacy.

The study presents several practical implications. First, founders' experiences are secondary to their capabilities of delivering a product of high value to the customer. Implying that inexperienced founders can compensate with the strong product development capabilities, in order to be deemed legitimate by customers. Furthermore, newness, combined with capabilities and commitment can be used to build legitimacy with innovation oriented customers. Secondly, the study presents several areas where inexperienced founders can mimic experienced founders, to increase their chances of obtaining legitimacy. Such as expectation setting, using a broader scope of channels to communicate their identity and being proactive in their compliance strategy. Third, the study shows that the customers of new ventures gained a high learning output by collaborating with the new ventures. New ventures can use this finding to reduce the barrier for customers to participate in early development projects, and established organizations can use new venture collaborations as a strategy to increase their organizational learning and innovation capabilities.

Further research

In the research area of new venture legitimacy there is room to further develop an understanding of customer legitimacy judgment as the first customers are critical to both the product development and survival and growth of the new venture. Furthermore, the authors noticed that there is a broad scope of research on the advantages of different types of experience, as an important factor for new venture legitimacy and survival. However, the area lacks an understanding of experience on a micro level, both why and when experience has an impact, and what inexperienced founders can do to mick these attributes to reduce the risk of failure. The following propositions are found important to further study:

- This research limited the scope to Norwegian software-as-a-service new ventures and their first customers. To further develop the understanding of experience as a factor for new venture legitimization, following studies can be conducted cross-border, other types of ventures, or towards different types of stakeholders. As inexperience is an attribute, paradoxically, can only be conquered by experience. Making further research important for understanding what inexperienced entrepreneurs can do in order to reduce their chances for failure.

- Findings show that founders' newness can be viewed as an advantage for some new ventures. To further explore how and when newness can be used as a competitive advantage, scholars can build on the latest contributions to the research area, legitimacy distinctiveness, and how newness can be utilized as a distinctive feature in order to gain a competitive advantage and build legitimacy. Furthermore, newness itselves can be explored as a source of innovation, as the study shows that the customers also gained increased learning from collaborating with the inexperienced founders.

Implications for new ventures

New ventures can learn and use the following findings in order to increase their legitimacy.

- As customer legitimacy judgment is most concerned with the value the new venture is able to deliver to them. New ventures should first and foremost focus on developing and promoting their capabilities to meet the customers future expectations of the product or service in order to be perceived as legitimate with the first customers.

- Findings imply that high status customers are a driver for being perceived as legitimate by other actors in the environment. Hence, if possible, new ventures should focus on acquiring high status customers early, to increase their industry legitimacy.

- By either having, or acquiring unique domain knowledge unknown to the customer can influence the customers perception of the new venture and the importance of it. The experienced founders also showed that using such unique domain knowledge in a broad span of channels, such as blogs, articles, social media, public presentations and news articles, had a positive influence on customer legitimacy judgment, beyond the first customer. Some of the unique domain knowledge found in the case study was: understanding of a new technology, new business practices, new industry research, market trends and cost of existing solutions.

- Expectation setting and promise keeping is also found to be important when establishing relationships with the first customers. It is better to under-promise and over-deliver, than not meeting expectations. If one finds it challenging to know what is possible to deliver within a given timeframe, the authors suggest dividing the process into smaller defined projects, reducing the chances of not meeting expectations.

- The findings show that all cases have a strong relationship with the customer ambassador, making them a champion for the new venture. The findings suggest that new ventures should continuously share all relevant information to the ambassador, making the internal discussions as easy as possible for the ambassador.

- Furthermore, the findindings show that technical and regulatory compliance is important to the customer legitimacy judgment. The authors strongly suggest that new ventures are proactive when it comes to compliance, as the lack of it can hinder further development of the relationship, and make the customer question what other elements are not in place. Technical compliance can be proved by getting certified by a reputable third party.

Implications for inexperienced founders

- If inexperienced founders are not able to showcase a product or prior experience, the authors argue that they need a platform to prove their capabilities and commitment to deliver value to the customer. Such a platform can be through a development project, research collaboration or pilot project, where the founder gains a chance to prove them worthy to the customer.

- Following the implication above, the findings argue that such a platform is easier to access with innovation oriented firms, as they proved to value the asset of newness. Suggesting inexperienced founders should use their energy finding and building relationships with more innovation oriented potential customers.

- The findings also show that inexperienced founders struggle to understand the industry norms. Hence, the authors suggest that inexperienced founders build a relationship with industry insiders, as either mentors, board of advisory or shareholders, in order to better understand the customer's perspective.

Implications for new venture customers

- The findings suggest that the customers who were early involved had a high influence on the product development phase, making the final product better suited to their needs. Hence, the authors recommend established firms to participate in the early phase of new ventures' product development, as it potentially can increase their own value and usability of the commercial product.

- New venture collaboration is also found to stimulate learning and the innovation capabilities with the firm. Hence, the authors recommend exploring new venture collaboration as a strategy for increasing their learning and innovation capabilities.

- Finally, the findings show that new venture collaboration can be used as an alternative strategy for exploring new technology or areas of business for established firms. New venture collaboration to access a deeper understanding and connection to promising areas of business, not attainable by market research reports, or consultants. In order to use this strategy, the authors recommend established firms' to clearly state their intention to learn, and establish frequent interactions to increase their learning.

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8.1 Appendix A

Description of legitimacy mechanisms outlined by Fisher et al. (2017) and Überbacher (2014)

Mechanisms	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 seek 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 is able to decode the message in its 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 is 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 are often the most valuable asset that founders can provide for their emerging firms as social connections are widely recognized as an important means through which organizations can acquire legitimacy.	Packalen (2007)
Internal milestones and structures	As gaining legitimacy is a process, a NV should create performance related milestones in order to gain it. However, these milestones should not focus on performance related parameters 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 where central institutional actors with authority or status, such as DNV-GL, formally acknowledges that a venture meets a particular standard.	Sine et al. (2007)

Table 19 Overview of legitimacy mechanisms outlined by Fisher et al. (2017) and Überbacher (2014)