

**Symbolic Emphasizing: How Entrepreneurs Use  
Symbolism to Acquire Resources**

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**2005/52/ENT/ST**

Working Paper Series

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16 May 2005

\* Both authors contributed equally to this article. We gratefully acknowledge financial support from the Rudolf and Valeria Maag Fellowship in Entrepreneurship at INSEAD. We thank Wendy Smith and Nicholas Sadron for their valuable research assistance. Any errors are ours.

## **Symbolic Emphasizing: How Entrepreneurs Use Symbolism to Acquire Resources**

### **Abstract**

Based on a two-year field study, we have found inductively that entrepreneurs were more likely to acquire resources for their new ventures if they performed “symbolic emphasizing” activities. Symbolic emphasizing refers to the process by which entrepreneurs display and draw the attention of resource holders to the symbolic dimension of their activities over and above the intrinsic, or functional, dimension. We have identified four distinct categories of symbols that facilitate the acquisition of resources: conveying the credibility of the entrepreneur, organizing quality, organizational achievement, and the quality of relationships with stakeholders. Using these categories, we develop a grounded model of symbolic emphasizing which links symbolism with resource acquisition. Our model suggests that the variety, frequency, and sensitivity of symbolic-emphasizing activities help convince various constituencies to contribute their particular resources. It suggests also that we should not expect any single symbolic action or even several of them to be systematically associated with the successful attraction of resources. We also propose several factors that moderate the relation between symbolic emphasizing and resource acquisition.

Acquiring resources –that is, finding investors, employees, associates or customers-- is a challenge for nascent organizations because they lack resources and proven competencies. Given the typically high uncertainty and substantial hazards of the startup process (Stinchcombe, 1965), and in the absence of a reliable track record, the performance and quality of a new business are hard to establish. This difficulty is exacerbated by potential information asymmetry between entrepreneurs and resource holders (Amit, Brander, & Zott, 1998). The latter are reluctant, therefore, to commit their precious resources to new ventures (Bhide, 2000: Chapter 3; Schoonhoven & Romanelli, 2001; Hellmann, 2002).

Empirical research has identified some important factors that might help entrepreneurs to obtain the resources that they need to start and grow their ventures. These factors include the calibre of the founding team (Eisenhardt & Schoonhoven, 1990); financial resources, location, and competitive conditions (Schoonhoven, Eisenhardt & Lyman, 1990); business planning techniques (Delmar & Shane, 2003); the reputation of affiliated firms and institutions (Stuart, Hoang & Hybels, 1999; Higgins & Gulati, 2003); social capital such as directorships in other firms (Florin, Lubatkin & Schulze, 2003); and legitimating certification contests (Rao, 1994).

Besides examining these factors, scholars have also studied entrepreneurs' behavior. Research on entrepreneurial activities has tended to identify ad hoc activities such as looking for facilities, organizing a startup team, seeking financial support, and developing a prototype. These activities occur in various orders. However, the theoretical rationale for these various activities and their sequencing seems underdeveloped (Aldrich, 1999). Delmar and Shane (2004) have tried to address this limitation by proposing that activities such as writing a business plan and incorporating the firm might be useful because they enhance a startup's legitimacy. But few empirical studies have closely and comprehensively examined the actions that entrepreneurs use to attract resource and thus turn ideas into reality. What is it that entrepreneurs actually do to

acquire critical resources? And why would doing these things matter?

To make up for this lack of empirical research, an emerging stream of mainly conceptual research suggests that self-presentation and social influencing can play important roles in entrepreneurship (Schoonhoven & Romanelli, 2001: 389). A few scholars have recognized the critical challenge of building legitimacy during the early stages of venture creation (Aldrich & Fiol, 1994; Lounsbury & Glynn, 2001; Zimmerman & Zeitz, 2002). They have proposed various legitimating strategies for entrepreneurs. These include manipulating and creating rules, norms, and values (Suchman, 1995; Zimmerman & Zeitz, 2002), creating identities through “storytelling” (Lounsbury & Glynn, 2001), and leveraging friendship and obligations (Starr & MacMillan, 1990). Hargadon and Douglas (2001), who studied Edison’s introduction of the electric lighting system, have suggested that entrepreneurs design and present their innovations in a “robust” way to mediate between the novel features of their products and business models and the expectations, norms, and rules of their institutional environments. These works have often focused on how entrepreneurs present information to resource holders -- that is, how they manage impressions (Gardner & Avolio, 1998).

With regard to impression management activities, a few researchers have begun to address their symbolic dimension. Aldrich and Fiol (1994: 652) have posited that symbolic language and behavior can facilitate “cognitive legitimacy” (i.e., taken-for-grantedness). Similarly, Lounsbury and Glynn (2001:549) have proposed that stories are important organizational symbols and might work by creating distinctive identities. Focusing on non-verbal symbols, Higgins and Gulati (2003) have suggested that the upper echelon’s previous affiliation with prominent organizations could appeal symbolically to prestigious underwriters and encourage them to do Initial Public Offerings (IPOs) for industries such as biotechnology.

These studies have hinted at the potential importance of symbolism for startups to

acquire resources. But, we still lack a comprehensive and textured understanding of the symbolic actions that entrepreneurs use, how they use these, and how effectively they do so. Missing in the literature is a close examination of the causal link between acting symbolically and attracting resources. Hence, we propose to explore: How do entrepreneurs use symbols to attract resources? When is symbolic action effective, and why?

Because current theories of entrepreneurship do not allow us to articulate precise and testable hypotheses, we have used grounded research. Based on the data collected over a two-year field study, we have found inductively that entrepreneurs enhanced the likelihood of attracting resources for new businesses if they performed patterned activities that we call “symbolic emphasizing.” Symbolic emphasizing refers to the process by which entrepreneurs display and draw the attention of resource holders to the symbolic dimension of their activities over and above the intrinsic, or functional, dimension. By emphasizing the symbolic dimension of their actions, entrepreneurs seek to convey to resource holders that their fledging organizations are legitimate and worthy to receive resources.

To the best of our knowledge, the inductive model that we present in this paper is the first to describe a wide range of symbolic activities performed by startups and links these activities to the early acquisition of resources. Many studies have focused on later stages such as IPO (e.g., Higgins & Gulati, 2003), on specific industries such as biotechnology (e.g., Stuart et al., 1999) or semiconductors (e.g., Schoonhoven et al., 1990), and on particular resources such as sales (e.g., Eisenhardt & Schoonhoven, 1990) or financial capital (e.g., Florin et al., 2003). Our model, by contrast, holds for early stages, in various industries, and for a broad range of resources. In the section on methods, we will discuss how we discovered the importance of symbolism for entrepreneurial ventures. But first, we will define symbolism and how it differs from related concepts such as impression management.

## SYMBOLIC ACTION

A symbol refers to “something that stands for or suggests something else by reason of relationships, association, convention, or accidental resemblance” (Webster’s Seventh New Collegiate Dictionary). A symbol can be an object or behavior that looks familiar yet represents an abstract concept (Trice & Beyer, 1984). We adopt Morgan and colleagues’ (1983) definition: a symbol conveys socially constructed meanings beyond its intrinsic content or obvious functional use. We use the word “intrinsic” instead of “instrumental” to avoid the potential confusion of “instrumental” as serving a purpose. According to our research, the symbolic dimension of actions could also serve a purpose: namely, that of convincing stakeholders.

Many objects or behaviors can display both intrinsic and symbolic dimensions (Lievens & Highhouse, 2003; Rafaeli & Vilnai-Yavetz, 2004).<sup>1</sup> The intrinsic dimension corresponds to objective, physical, or tangible functions that are recognized independently of subjective interpretations. For example, an office serves the intrinsic purpose of a place where people work. This interpretation of functionality is unlikely to differ much from one culture to another. A prestigious office address, though, could suggest symbolically prosperity and high status (Oldham & Rotchford, 1983). The symbolic dimension refers to evoked meanings as people make inferences about objects based on shared meanings, self-identity, or self-image.

Similarly, an expensive business suit conveys more than the intrinsic function of covering the body. It represents respectability and success (Rafaeli & Pratt, 1993). Likewise, behavior can display both intrinsic and symbolic dimensions. An entrepreneur who forgoes a high salary at an established firm and receives a low salary, or no salary, while starting up performs the intrinsic function of cost saving. The same behavior, however, could also

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<sup>1</sup> Rafaeli and Vilnai-Yavetz (2004) have argued that most or all inanimate objects (artifacts) could be apprehended in terms of three dimensions: instrumental (intrinsic in our terms), symbolic, and aesthetic.

symbolize commitment and belief in the long-term success of his ideas. Thus, we define a symbolic action as one that conveys symbolic meanings. But, we recognize that the same action can also have intrinsic meanings. Defining a symbol this way as a social expression that can incorporate both intrinsic and symbolic dimensions extends the view of a symbol either as a rhetorical device with little substantive action or as a socially legitimate verbal statement that is decoupled from implementation (Westphal & Zajac, 1998; Zbaracki, 1998). We will use “symbol,” “symbolism,” and “symbolic action,” interchangeably.<sup>2</sup>

Skilful symbolic emphasizing takes into account how various displays will be observed and how these will be interpreted by particular groups. We propose that symbolic emphasizing is related to the more general term “symbolic management,” but we use the gerundive form to denote action. We consider symbolic action, moreover, as a distinct form of impression management (Arndt & Bigelow, 2000). The latter refers to any behavior that has the purpose of controlling or manipulating the attributions formed by others (Tedeschi & Riess, 1981) by regulating the information that is presented about people or their organizations (Schlenker & Weigold, 1992; Ashford et al., 1998).

Gardner and Avolio (1998) have identified the development and manipulation of symbols as a particular subset of impression management, which they call “staging.” Moreover, some impression management actions may not be symbolic, in that they might suggest little beyond intrinsic use. We will show in the next section how some ingratiating or intimidating

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<sup>2</sup> Our understanding of symbolism thus originates in symbolic interactionism (Mead, 1934; Blumer, 1969). This perspective holds that human interaction consists in the sender indicating to the receiver what the sender would like the receiver to do, which requires the receiver to interpret the sender’s indication. To illustrate, a robber’s command to his victim to “put up his hands” is (a) an indication of what he wants the victim to do; (b) an indication of what the robber plans to do--that is, to relieve the victim of his money--and (c) an indication of the joint act being performed (in this case, a holdup and not a joke). If there is misinterpretation along any one of these three lines of meanings, interaction is impeded and the joint action is unlikely to occur. People act on the basis of whatever meaning they interpret from the signifier. Conversely, non-symbolic interaction takes place when one responds directly to the behavior of another without interpreting that behavior-- as in reflex responses (Blumer, 1969: 8).



tactics (Tedeschi & Melburg, 1984) might have little symbolic value. Symbols can at best be construed as a subset of impression management; and not all forms of the latter are symbolic.<sup>3</sup>

Although intrinsic outcomes are often measured by economic or performance yardsticks (e.g., speed, defect rate), effective symbolic actions are evaluated on the basis of emotions, preferences, and values (Rafaeli & Vilnai-Yavetz, 2004), which can influence the decisions of resource holders (Brown, 1994). Because symbols convey important social and organizational values, they provide a means of communicating in subtle ways (Rafaeli *et al.*, 1997). For example, various forms of clothing convey various levels of power, status, or ascribed roles (such as those of priests in relation to those of beggars). Symbols allow us to convey meanings either directly or indirectly (Jones, 1996). They suggest categorizations that help us frame particular social situations or interpret ambiguous ones (Ashforth & Humphrey, 1997). Symbols are clearly important for entrepreneurs, therefore, who often work in highly uncertain contexts.

The intrinsic dimension of entrepreneurship could involve organizing actions to enact a novel idea such as developing business plans, finding investors, establishing legal structures, hiring employees, and attracting customers (Aldrich, 1999; Delmar & Shane, 2003). Meanwhile, the symbolic dimension of these actions can make the new venture familiar and credible to key groups (Lounsbury & Glynn, 2001). As Feldman and March (1981) and Pfeffer (1981) have

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<sup>3</sup> Symbols are related to but can be distinct from signals, too. According to information economics research, these convey information about an unknown type of project, product, or person. To be credible, a signal is usually costly (Kennan & Wilson, 1993). Consider in the case of a labor dispute. A firm that bears high costs can credibly communicate this information to the labor unions by enduring a strike. A costly delay in the negotiation process would signal to workers that the firm is serious about not giving in to their demands and would rather forego sales (and profits) than commit to wages that it cannot afford to pay. A firm that bears low costs, on the other hand, would not trade off present revenues against higher future profits. For a signal to be effective, then, the costs of the signal must be correlated to the underlying type (Spence, 1973). Although some symbols (e.g., school degrees) can be signals, symbolism does not necessarily require either costly symbols or a strong correlation between symbols and underlying types. Loose coupling (and, in the extreme case, decoupling) can exist between symbols and related instrumental (or intrinsic) actions (Westphal & Zajac, 2001). Conversely, not every signal is a symbol. A car warranty is a costly signal of car quality (Akerlof, 1970) but has not much meaning beyond this intrinsic use.

noted, using symbols so that actions will be interpreted in ways that are compatible with prevailing norms and values is especially important when stakeholders find it hard to assess and control precisely what they might get from a company.

Entrepreneurship involves “enactment”--that is, part of the environment that symbolic “actors” face is created by the symbolic actors themselves (Weick, 1995). Before a product is fully developed and marketed, no one can know if it will be successful (Gort & Klepper, 1982). Because of this uncertainty, the creation and perception of opportunity depends on a psychological process (Dutton, 1993; Krueger, 2000). Viewing a prospective course of action as credible depends on belief as well as action (Krueger, 2000). Institutional theory suggests that organizations that want to appear credible must act in ways that conform to prevailing societal beliefs; otherwise, they risk getting insufficient resources due to a perceived lack of legitimacy (Pfeffer & Salancik, 1978; DiMaggio & Powell, 1983; Zucker, 1986).

An emerging stream of research has begun to suggest that successful entrepreneurs are not passive recipients of their cultural context but skilled cultural managers who use culture strategically to deal with the low level of credibility that stems from a lack of supporters and performance history (Aldrich & Fiol, 1994; Hargadon & Douglas, 2001). According to Suchman (1995), an organization’s legitimacy can be anchored in three distinct but interrelated dimensions: personal legitimacy--that of the founding entrepreneurs; organizational legitimacy--that of the company’s structures and processes; and relational legitimacy--that of the other involved people and organizations. But new firms are faced with a serious conundrum: How can they become legitimate and then attract enough resources to build and sell their very first products? DiMaggio (1991) and Rao (1994) have suggested that legitimating consists of creating an account of an organization and embedding it in a symbolic universe.

But scholars still know little about the nature of symbolic universes and how

entrepreneurs actually use them. In particular, we know little about the range of symbolic actions that entrepreneurs use, how they use them, and what effects they have on various groups. How can symbols help create personal, organizational, and relational legitimacy?

## **METHODS**

We began our research without formalizing expectations of what steps entrepreneurs took to build their companies. Formulating precise hypotheses appeared premature because current entrepreneurship theories seem underdeveloped (Ventkataraman, 1997). This situation is at least partly due to the dearth of longitudinal research designs and theory-building efforts in entrepreneurship research (Chandler & Lyon, 2001; Schoonhoven & Romanelli, 2001). Moreover, prior research often identified new firms from industry directories or legal records and was thus prone to survivor bias. As Zimmerman and Zeitz (2002) have pointed out, researchers tend to study venture success retrospectively. Because many ventures never reach the profit stage and few of them survive, of course, we do not really know what the entrepreneurs did or did not do in the early days to increase their odds of survival.

**Sample Selection and Data Collection.** To identify entrepreneurs who had recently launched new firms, or who were in the process of creating them, and who lived in the United Kingdom, we searched through a database of entrepreneurial alumni from a business school. The resulting list contained 230 names. We contacted them by e-mail, explaining the purpose of our research (see Appendix 1). We asked for entrepreneurs who (a) had launched a company within the past 18 months or were planning to do so in the next six months, (b) were headquartered in the Greater London area, and (c) were willing to participate in a longitudinal research project that might involve a substantial commitment of time. We assured potential participants complete confidentiality and anonymity. We aimed at observing entrepreneurs in the early stages of creating a company for two reasons: first, because we wanted to avoid sampling on the outcome;

second, we believed that this stage had received little attention so far. We focused on a confined geographical area to minimize sample variation due to environmental factors (e.g., the socio-political context, the availability of capital, or the business climate).

We received 83 replies, of which 5 were negative and the rest split between “I am potentially interested” and “this sounds interesting, but my venture probably does not fit the research criteria.” Of the 5 negative replies, most said that they were uncomfortable with a proposed research method that might (as we had announced) include shadowing them for a few days. Out of the remaining names, 40 leads looked promising. The rest did not (10 leads were dropped, for instance, because they were outside the UK). We then conducted phone conversations with 20 respondents to see if they suited our selection criteria. We followed up the other 20 cases by e-mail. These clearly did suit our criteria, being based in London and having started up during the time period we specified. This process allowed us to retain 26 projects.

For at least three reasons, we did not expect that non-response at this initial selection stage would significantly bias the analysis. First, at the initial stage, we proposed to study entrepreneurial behavior broadly. The focus on symbolism and its importance for attracting resources emerged only during the stage of data analysis. Hence, systematic bias was unlikely.

Second, most of the ventures in our sample, begun between 1999 and 2001, were at such an early stage of development that predictions about their eventual performance (e.g., their success in attracting resources) were premature. This mitigated the problem of survivorship bias.

Third, we discovered the importance of symbols through iterative analyses. We then identified seven extreme cases that featured noticeably high and low levels of symbolic display. Our goal was to look more closely at these symbolic actions and how they influenced potential resource holders. Eisenhardt (1989: 537) recommended a theoretical sampling approach (cf. Strauss & Corbin, 1998) that involves between 4 and 10 extreme cases in which the phenomenon

of interest is “transparently observable.” Using a finite number of cases allows researchers to find some balance between generating a reasonably textured theory and having to cope with the “complexity and volume of data” (1989: 545). As she argued, moreover, “the goal of theoretical sampling is to choose cases which are likely to replicate or extend the emergent theory.” Scholars such as Huy (2002) and Brown and Eisenhardt (1997) have used extreme cases with clearly high and low manifestations of the variables that interest them. The latter have argued that eliminating the larger study’s “middle cases” allows researchers to “more clearly distinguish the key processes and describe them in a limited space” (1997:4).

Table 1 provides short descriptions of these cases, although the names of both companies and respondents are disguised to ensure confidentiality. The ventures in this sample are active in many industries. These include software (CLAIM, MOBILE), tourism (HOTEL), investment banking (MARKET), financial services (FINA), renewable energy (WIND), and communications (WIRE). Although most engage in varying degrees of information technology (IT) development for their products and services, some rely very little on IT-based offerings (e.g., FINA is primarily a human capital driven services business, and WIND engages in the development of wind farms). Thus, our sample includes many distinct product-market contexts.

[INSERT TABLE 1 ABOUT HERE]

Most entrepreneurial teams in the sample depicted in Table 1 were first-time founders (FINA, MARKET, MOBILE, WIRE). One was a first-time lead entrepreneur who had teamed up with an experienced co-founder (HOTEL). And two had some earlier, albeit limited, startup experience, in the same industry (WIND) or in a different one (CLAIM). Thus, our sample does not seem biased in terms of entrepreneurship experience. Although we drew heavily on these seven cases to develop our core theory, we also used data from the other nineteen cases to increase descriptive richness and also to check the validity of our proposed model.

Most founders had graduated from the same top tier business school.<sup>4</sup> These graduates, on average, had very high GMAT test scores (about 700), five years of professional experience before enrolling in the MBA program, and access to the school's vast and high-powered alumni network. Our selection thus controlled for aspects of human capital such as educational background, analytical skill, and managerial experience, as well as aspects of social capital--all of which are usually sources of heterogeneity in startups. We followed Gartner's (1985) suggestion to increase the homogeneity of subgroups of entrepreneurs and to look for variances within them to develop precise mid-range theories.

We recorded entrepreneurial behavior (in real time and retrospectively), mostly by interviewing the founders. Starting in February 2002, we conducted face-to-face interviews – the vast majority at work sites – with all entrepreneurs in our sample (26 projects) to establish personal rapport with them. Each first-round interview lasted from 1 to 2 hours. For the next rounds (e.g., the second round was conducted between October and December 2002), we relied mainly on phone interviews, which lasted between thirty and ninety minutes. We recorded and transcribed all interviews but also made extensive handwritten notes during interviews. We asked open-ended questions and prompted respondents to provide concrete examples of activities and events. (Appendix 2 displays a sample of the interview questions.)

To reduce recall and ex-post rationalization bias, we collected data from other sources. We regularly monitored startups websites, for instance, and collected information from the business press, trade journals, business plans, and presentations. We also collected mini cases written by entrepreneurs to promote their products; press announcements; and cash-flow forecasts (where available). These sources allowed us to triangulate findings to build stronger

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<sup>4</sup> In this paper, we refer to the lead entrepreneur--the person who was clearly driving the effort-- as the "founder" or "entrepreneur." We refer to other members of the founding team as "co-founders." In addition, we use the terms "resource holders" and "potential resource givers" interchangeably.

interpretations (Yin, 1984). For the seven extreme cases, moreover, we interviewed important stakeholders such as co-founders, investors, employees, suppliers, customers, or board members (see Table 1). Appendix 3 lists some of the questions that we asked stakeholders other than co-founders. For almost every one of these ventures, except MOBILE, we interviewed at least one third party who had denied resources. Interviews with these third parties lasted between 15 minutes and 2 hours.<sup>5</sup>

**Data Analysis.** As is typical of inductive research, our work involved some iteration between data and various theories. In addition, interactions with academic and practitioner audiences helped us refine ideas. We used the case-replication method, in which cases serve as independent experiments that either confirm or reject emerging insights (Eisenhardt, 1989). Oscillating between data and theory allowed us to move gradually from general constructs to specific ones. We began by identifying various categories of behavior and what effects these might have on nascent ventures. We analyzed our data in three broad steps.

In our first exploratory analyses, the salience of what we generally viewed as impression management (IM) behavior emerged; we found noticeable differences in the quantities and textures of IM accounts. We first tried a theory-elaboration approach (Lee, Mitchell, Sablinski, 1999) by analyzing a sample of ventures that displayed high and low IM activities according to the taxonomy proposed by Gardner and Avolio (1998). Our goal was to find any association between high-low IM activities and resource acquisition. We coded IM forms of behavior (e.g.,

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<sup>5</sup> We requested the names and contact details of these third parties from the lead entrepreneurs, because the latter might have worried about disruption of their business activities. Some entrepreneurs might have worried, for example, that potential customers would not want to be contacted and questioned by researchers without being properly introduced to them first by the entrepreneurs. Because the entrepreneurs did not know precisely what we were investigating their selection of contacts was less likely to be biased. We reduced potential bias even more by requesting access to at least one stakeholder who had not given resources to the venture. Please note that we also dropped one seeming successful company after the lead entrepreneur turned down our repeated requests to interview some of his resource holders; we could not triangulate his self-reported activities and outcomes.

“We prepared meticulously for meetings with investors, to the extent that my partner and I went to some consultants to teach us how to present during meetings, how to move during meetings, how to talk”), and compared the results to see if differences in IM behavior could be related to differences in acquisition outcomes. (Appendix 4 describes these categories.)

The general pattern suggested that high IM activity might be positively associated with high resource acquisition. However, we were not fully satisfied, as IM activities did not allow us to distinguish sharply between ventures that were more or less successful in acquiring resources. A few ventures with high IM activities experienced moderate to low success. The IM findings were insufficiently precise and parsimonious. Dissatisfaction led us to reanalyze our data in a second broad step, and to focus on a subset of IM that we called “symbolic management.” (See Appendix 5 for examples of IM that did not clearly involve symbolism.) This process led us also to review extensively the literature on symbolism (e.g., Lievens & Highhouse, 2003; Rafaeli & Vilnai-Yavetz, 2004) and to the understanding that a symbolic action can convey both intrinsic and symbolic meanings (as we illustrate in Table 2, which shows how a symbolic action can signify many dimensions of meaning to the perceiver--both intrinsic and symbolic ones. For a given dimension, an object or action can convey various meanings to various perceivers.<sup>6</sup> For simplicity, we illustrate in Table 2 only one intrinsic meaning and one symbolic meaning for each symbolic action.

[INCLUDE TABLE 2 ABOUT HERE]

Coding symbolic actions according to Table 2 produced what we believed were sharper

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<sup>6</sup> For example, a car can convey two intrinsic meanings to two groups of people with various functional needs: it is useful only to carry the family to visit distant relatives on weekends, as members of the family walk or ride bicycles for most of their daily activities. Or it can represent the only practical means of transportation for daily commuting to work. Similarly, it can convey various symbolic meanings, based on shared meanings or identities. A big car, for example, can symbolically convey respectability and success to some people. To other people, though, the same car could symbolically convey bad taste or an environmentally irresponsible attitude.



distinctions which we have summarized in Table 3 and will elaborate in the section on our findings. Both researchers coded the data, independently verified them, and discussed disagreements. If we couldn't reach consensus on any symbolic act, we dropped it. As a result, final agreement on coding was 100%. In this second analytical stage, we applied both theoretical elaboration and theory building (Lee et al., 1999) to develop the model. Theoretical elaboration from the literature on symbols allowed us to see that an action can convey many intrinsic and symbolic meanings. Theory building, on the other hand, allowed us to induce important categories of symbolic action.

[INCLUDE TABLE 3 ABOUT HERE]

In a third broad step, we analyzed the effects of symbolic actions among the extreme cases of high and low symbolic emphasizing. More specifically, we looked for evidence, as triangulated as possible among various data sources, on the kinds of symbolic action that led to the acquisition of specific resources. Field research and in-depth interviews are particularly well suited for research on such symbolic interactions. As Blumer (1969: 21) advised, the fact that people act on the subjective meaning of symbolic action implies that scholars should see symbolic actions as subjects do and not as detached observers do.

Could the more successful entrepreneurs and their potential resource holders have “envisaged” and “told” more symbol-laden accounts than the less successful ones? We believe that we have done everything possible to control for potential bias by not mentioning symbolic concepts to our contacts (most of whom were unaware of them or did not use them in their interactions with us). Because most of our entrepreneurs had been analytically trained, moreover, they would have been equally or even more likely to emphasize or “rationalize” their achievements with technical-analytical business logic than with impression management and symbolic behavior. In addition, we used many sources of data to triangulate their accounts.

Table 4 shows how we triangulated symbolic activities.

[INSERT TABLE 4 ABOUT HERE]

Our analysis at this stage suggested not only a causal link between acting symbolically and attracting resources but also that the skilful and frequent use of symbols explains why some entrepreneurs attracted resources and others did not. To establish these findings, we divided our sample of seven extreme cases into two subsets: one in which the ventures clearly made progress in terms of acquiring (1) human capital, (2) external financial capital, and (3) customers (Bhide, 2000; Brush, Greene & Hart, 2001), and another in which they made less progress. Building on Schoonhoven and Eisenhardt's (1990) notion of the speed at which new companies develop their first products for market, we came to characterize medium-term achievements by the progress that startups made in acquiring these critical resources. It is useful for new business ventures to consider important milestones beyond the first paying customer, because building a new company is a lengthy process that involves many steps (Delmar & Shane, 2003).<sup>7</sup>

We considered overall progress in acquiring resources “good” when there was “good” or at least “adequate” success in attracting each of the three key resources mentioned-- employees, capital, and customers, where the customer base could be defined in terms of either the number of paying customers or the number of sales. This evaluation took into account success in (1) attracting and retaining high-quality employees, managers, and board members given the venture's growth strategy; (2) attracting enough external capital to fund current operations and

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<sup>7</sup> Resource acquisition as an interim outcome of venture building mediates the ultimate fate of a venture (e.g., financial success, growth, survival, or longevity). These ultimate outcomes are co-determined by factors that are often beyond the immediate control of founders (e.g., business cycles, consumer preferences, demographic trends). Intermediate outcomes such as resource acquisition, by contrast, are more likely to be directly influenced by entrepreneurs' own behavior (Aldrich, 1999) such as symbolic emphasizing. Because of the dynamism and uncertainty of the venturing process, intermediate and ultimate outcomes can be only imperfectly linked. Although slow resource acquisition is likely to be associated with a higher probability of eventual failure (Schoonhoven & Eisenhardt, 1990), some ventures with low initial success in resource acquisition can nevertheless become successful enterprises in the long run. Conversely, high success in resource acquisition does not guarantee an eventual success.

planned development (e.g., R&D); and (3) developing the customer base (in terms of either the number of paying customers or the amount of absolute revenues) fast enough to break even within a reasonable time. In evaluating these three dimensions, we relied on our own assessment, as well as on that of the founders and stakeholders for each venture.

Relying on these dimensions allowed us to compare inherently different business organizations (for example, a service business such as FINA and a product business such as WIRE) and to transcend the many particularities of each venture (e.g., its strategy and industry context). To illustrate, we considered the overall progress of FINA “good” despite the fact that it was a largely self-funded and small-scale niche player, because, given its scale and ambition, it performed adequately in getting external capital to grow, and it made good progress in attracting employees and expanding the customer base (see Table 5). Similarly, we considered the progress of WIRE “good” despite the fact that it had no paying customers for the first two years. We could do this, because we knew that it was very R&D intensive and first needed resources such as external funding and hiring employees to develop its product (see Table 5).

[INSERT TABLE 5 ABOUT HERE]

Table 5 shows evidence on the resource acquisition of our extreme case studies. Three firms made good progress throughout the early stage (FINA, HOTEL, WIRE), and four experienced slow progress during the same period (CLAIM, MARKET, MOBILE, WIND).

We performed additional triangulation with the other “non extreme” cases: We could not find a single case among the 26 startups in which a low level of symbolic emphasizing correlated with a high level of success in consistently attracting resources. Nor could we find a case in which a low level of symbolic activities correlated with a high level of success.

This stage of analysis allowed us also to develop a new action concept, which we call “building momentum in acquiring resources” (and will discuss in the Appendix). To feel

assured, we needed not only inductive findings but also explanatory theories. Following Golden-Biddle and Locke (1993), we have incorporated reports of research in the section on findings and in the discussion to enhance internal validity, plausibility, and generalizability beyond the small number of cases and the particular local contexts chosen for this study.

## **FINDINGS**

Some entrepreneurs were more skilful and imaginative than others in acquiring resources. They were acutely aware of the advantages of using symbols to overcome the various liabilities of starting up. One founder, for example, mused: “It’s the key way to get credibility, start putting logos up or the names of your clients up on your websites and all that sort of thing.” A WIRE board member noted that,

The founders were proactively pushing the name wherever they thought it was appropriate—where there were competitions going on for entrepreneurial success, where magazines, Red Herring or whatever, were tipping the new technologies. It lent credibility to what they were trying to do.

That kind of statement prompted us to examine closely the symbolic behavior of entrepreneurs. We found that under comparable constraints, startups that used a lot of symbols were usually more successful in attracting resources than those that used fewer of them. Figure 1 summarizes the main constructs of our model, which links the use of symbols with the acquisition of resources. This model shows how the variety, frequency, and sensitivity of symbolic actions influence resource holders. It suggests also that we should not expect any *single* symbolic action or even several of them to be systematically associated with the successful attraction of resources.

[INSERT FIGURE 1 ABOUT HERE]

All entrepreneurs in our study practiced some form of symbolism to influence potential resource holders. Could symbolic emphasizing make a difference for founders in creating and

building their organizations? Thinking about that, one entrepreneur asserted the following:

It gives you that extra 10%, that probably gives you that air, that probably gives you that extra meeting, that'll probably give you that little bit of feedback that makes your presentation at the end of the day to the board the best one. And that I definitely think it does; it certainly tips the balance.

In a similar vein, another entrepreneur explained:

Projecting the right image is very important in the early days, because in the early days of an enterprise you have very few second chances. You've got to make the most of the opportunities that come your way, and it's okay to lose an opportunity because your business offering is not right. But it is not okay to lose a business opportunity when your offering is right because your self-presentation is wrong.

This suggested to us that there might be a causal relation between symbolic emphasizing and attracting resources. Although the intrinsic qualities of entrepreneurial behavior deliver proof of substance and can thus encourage resource holders, their symbolic dimension could matter as well. We found direct evidence (i.e., confirmation from resource givers presented below) that symbolic actions enhanced the odds of acquiring resources. Moreover, we detected, in many cases, a significant time lag between symbolic actions and the development of the company's resource base.<sup>8</sup> Current theories lend further support to our main argument that symbolic emphasizing can systematically facilitate resource acquisition. As Pfeffer (1981) has argued, symbolic actions are likely to be more effective when the people in contact with entrepreneurs have uncertain or unstable preferences, are unable to understand or control fully the connections between the startup's operating processes and results, or are unable to discern or predict with high certainty the outcomes of their potential investments. Under these conditions, potential resource givers want to see partial evidence that their preferences and interests are seriously understood (McGrath and MacMillan, 2000). Creating socially desirable symbols

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<sup>8</sup> For example, the founders of WIRE (a high-resource-acquisition venture) had implemented their recruiting process *before* hiring employees, finding customers, receiving venture capital, or producing anything.

conveys information that the founders are responsive, imaginative, and competent; it increases the confidence of potential resource givers.

Generally speaking, founders who were highly successful in attracting resource holders emphasized a wide range of symbols in connection with personal credibility, professional organizing, organizational achievement, and the depth of relationships between founders and stakeholders. Table 3 summarizes these categories, which are further described below.

### **Emphasizing Symbols of Credibility of the Individual Entrepreneur**

We found that entrepreneurs (particularly those who made good progress in attracting resources) conveyed their abilities as credible company builders by symbolically displaying competence and personal commitment.

**Personal competence.** A business school degree, for example, can be displayed as a symbol of personal competence. Although the degree represents an “intrinsic” certification of past academic accomplishments, it can also project business competence especially if it comes from a reputable business school. Even though all of our lead entrepreneurs had graduated from the same top tier business school, the most successful in attracting resources made sure that potential resource givers knew precisely where they had graduated. Investors appreciated this symbolic gesture. One of the venture capital investors in HOTEL had this to say:

The MBA degree obviously showed a level of intellect, and it was very clear from dealing with them that they were very bright, well-thought-out individuals. I am sort of skeptical about the MBA qualifications. The fact [that he let us know that] he was from a prestigious business school did help.

Another graduate from the same business school was laid off in his mid-40s and spent 2 ½ years without a job. He became interested in starting a company (FINA) in a niche area of the financial-services sector, which was where he had gathered considerable technical expertise. However, he lacked industry-specific knowledge and contacts. He overcame these shortcomings

by meeting with prospective clients and arguing that he was doing “research” (intrinsic meaning), an activity that is generally well respected by English society (symbolic value):

I remember thinking to myself, what am I going to do? How am I even going to see people? I sat down and thought, well, play it by private finance initiative. That’s flavor of the month, that’s linked to the niche in financial services that I wanted to target. So I invented a client who didn’t exist, and I then decided I was going to go around and find out about private finance initiatives. So I used to ring people up and say, I’m doing a research project and I want to find out about private finance initiative, and I know you’re the world’s expert in hospitals or what have you. I’d like to come and interview you and find out exactly how this works, what you do, to what extent you’re intending to use these niche financing techniques.

As a result of this symbolic initiative, the entrepreneur was able to portray himself as a competent technical expert in the specific area that he was targeting. He made valuable contacts and acquired consulting work, too, which generated enough cash to start up his firm.

**Personal commitment to the venture.** Some founders accepted financial sacrifice and delayed personal gratification through a variety of imaginative schemes that not only preserved precious cash for their firms (intrinsic meaning) but also emphasized their personal commitment to them (symbolic meaning). This symbolic emphasis convinced someone to invest after hesitating, as one of the co-founders in our study noted:

It helped us that we were giving up something. We were giving up security, we were giving up income and so we were making a sacrifice. When we launched internationally, we made a big thing out of our sacrifice... The reaction of the investors was very, very positive. I think we did an extremely good job of getting investment in very quickly...I’m very, very pleased with the way that it has gone.

In the case of WIRE, not only the founders but also the employees (as a distinct group of stakeholders) voluntarily made substantial financial sacrifices to help their firm endure an acute cash shortage. This symbolic demonstration of commitment impressed existing investors, who decided to make further financing available. The founder of WIRE explained:

We asked people to defer salary at the time. People turned back and wanted to defer actually more than we’d asked for. It was very moving, actually, for the management team. We were really very touched by the level of commitment that

people were showing inside the business... The investors were awe-struck by the fact that people had such commitment to the business. They were very impressed by that... I never made it a point in the negotiations, but they said that after they closed the round, it was one of the key things that really gave them belief in the business.

A board member and investor of WIRE confirmed that this gesture gave him confidence and “a great feeling of teamwork as a result of doing it.” One investor in another company explained why a demonstration of commitment was so important to him:

Anyone can make a good business plan. But the fact is that it’s got to be the people behind the business plan. It’s got to be their commitment; that is what helps you make the hard decisions about investing... It tells you that when the chips are down, these are people who are not going to jump ship. They’re going to stay fighting.

Why are symbols of personal credibility important? Waibel and Wicklund (1994) have found that people who are unable to assess the actual performance of a person tend to rely on displays such as speech patterns, body appearance, or clothing to make attribution about the person’s level of competence (e.g., successful artists have long hair) even if these stereotypes have little bearing on actual competence. Symbols of personal credibility can convey a particular form of legitimacy: “cognitive legitimacy.” This involves widely held beliefs that provide a framework for decision making. Consider, for instance, the belief systems that are fostered by professional and scientific bodies (Scott, 1994a). Cognitive legitimacy is present when stakeholders assume that “qualified” founders--that is, graduates of top business schools or people engaged in research--are intellectually capable or know how to apply the most effective managerial techniques, even if the investors cannot discern precisely what the managers know or if the techniques that they apply are indeed appropriate (Zimmerman & Zeitz, 2002).

Symbols of personal credibility can convey also what Suchman (1995: 581) called “personal legitimacy”--that is, the display of personal drive, conviction, charisma, vision in ways that could disrupt the old social order and initiate a new one. Most people assume that the top



team has a very heavy influence on any company (Hambrick & Mason, 1984). It represents and shapes the company's culture often by means of symbolic actions (Pfeffer, 1981). Its attributes influence the kind of employees to be recruited. And they, in turn, participate in shaping the company's character (Selznick, 1957).

### **Emphasizing Symbols of Professional Organizing**

Founders conveyed the quality of their organizing efforts by displaying and drawing the attention of potential investors and employees to the professional nature of their company's structures and processes.

**Professional structures.** Formal structures (Meyer & Rowan, 1977) refer to taken-for-granted ways of representing the company's visible attributes: its legal status, its corporate hierarchy (a flow chart, for example, that includes the board of directors), its website, its offices, its dress code, its advertisements, and so on. These can be displayed as symbols. A website can serve not only as the on-line tool for distributing company information, for example, but also as the symbol of an established, professionally run company--one that can "help the entrepreneur pitch to the VC world to raise funds," as one supplier of marketing services to CLAIM remarked.

To represent formal structure symbolically, some entrepreneurs used fashionably decorated front offices (intrinsic function: a place to work and receive guests) to instill confidence. One founder elaborated on the symbolic importance of "good offices in good locations with good quality furnishings: The whole feel is of validity, a well-established business, such as to give people confidence that we have been around for some time and we will be around for some time."

He explained how this symbolic display of formal structure helped his startup entice customers:

A very major company came to see us when we were only two or three months established, and we were very delighted to win a significant amount of work from them. When we asked them sometime down the line why they had given us the chance to do this rather than some of our perhaps better established competitors, they told us that they were so impressed that we were obviously a business of substance

because we had such a large, well-appointed office. They didn't know that we had a very, very small office, just in a large building.

Another entrepreneur explained why the choice of office location was important:

There are a number of areas where people expect professional firms to be based. So if you're not in an acceptable area, I think a potential client doing research on you to see whether they want to work with you might think very simply that, given that the offices aren't there, you can't be very successful and you're unlikely to be the sort of business that they want to trade with.

Recent research on established organizations has found that many people think of office décor as an indicator of identity. Observers draw conclusions about social status and distinctiveness on the basis of a few, artifacts displayed there (Elsbach, 2004). They link status (e.g., power and wealth) with furnishings, location, and décor. Most people, after all, have a common representation of what high status environments look like (Dittmar, 1992).

**Professional processes.** As Feldman and March (1981) have pointed out, organizational processes could be more important than the outcomes they produce. They can symbolize the recognition of social values or the display of proper behavior and attitudes with respect to the core ideas of rationality and accountability (Weber, 1947). Entrepreneurs displayed symbolism in organizational processes such as hiring staff and serving customers. Obviously, what are considered professional processes depend on the institutional fields in which startups operate. These processes could transcend their intrinsic purpose (e.g., hiring staff or serving customers by using a low-cost, high-quality, and standardized format) to convey symbolically professionally run enterprises. Resource holders were favorably impressed by these symbols, as the following supplier of marketing services testified:

I mean, they're a very professionally run organization. I mean, it's a small business with *big business practices* [italics ours]. I think it's very good. I get the impression that this business is run on a set of objectives, achieving objectives without deflection.

In order to recruit high-quality people, the founders of WIRE adopted a tough recruiting

process from reputable consulting firm not only to select and evaluate staff (intrinsic) but also to convey to prospective employees how serious they were about their venture (symbolic).

We put the job applicants through an absolutely grueling recruiting process... The underlying thing was, we tried to capture a lot of data about people in a way that signaled that we were absolutely ruthless about screening people and very, very professional about dealing with it. So we projected a signal to all of these engineers that this was the toughest interviewing process they were ever going to go through. We had people just walking out of there saying, you hurt my brain.

This symbolic value has been confirmed by empirical studies of recruitment by established organizations (*cf.* Lievens & Highhouse, 2003). Although good compensation packages or opportunities for advancement were generally perceived as attractive, the researchers found, these benefits did not differentiate markedly among companies within the same industry. Job applicants are attracted to organizational attributes (e.g., innovation) for their symbolic meanings and self-expressive values. Elaborate evaluation of prospective employees is symbolic, because extensive ceremonial procedures signal to both current and new employees that membership is valuable (Trice, Belasco & Alluto, 1969).

More generally, symbols of organizing can enhance what Suchman (1995) called “procedural legitimacy” and “structural legitimacy.” Formal structures and processes assure sceptical resource holders that the unproven venture has embraced scientific, state of the art, or professional practices. Procedural legitimacy is even more important in the absence of clear outcome measures (Scott, 1977). In the early days of a venture, when the product is neither fully developed nor proven on the market (uncertain outcomes), showing symbols of professional organizing can help reassure stakeholders that the “entire *systems* of activity recur consistently over time,” that the venture is “the right organization for the job” (Suchman, 1995: 581).

### **Emphasizing Symbols of Organizational Achievement**

Organizational achievement refers to past accomplishments. Because their short histories

did not allow the firms in our study to amass long track records of traditional performance measures, some entrepreneurs tried to compensate by symbolically emphasizing preliminary or interim achievements that their firms had indeed realized: partially working products and technologies, or the fact that they had been around for a while and grown.

**Partially working products and technologies.** Reduced prototypes, product demonstrations, trial sites, and related awards represent partially working artifacts. These are symbolic to the extent that they convey preliminary images of ultimate products. Entrepreneurs display something that appears to work, albeit incomplete, to reduce the perceived level of technological risk. This symbolic display of company achievement could attract paying customers, as one investor in WIRE suggested. He described how WIRE won over an important client during a product demo:

The large company was going to do a formal search through a number of companies, and they really got so excited about WIRE; they truncated that process and they selected WIRE because it's really an exciting vision, and WIRE had a product that looked snazzy. This win happened when the business founder gave what I'll call a controlled demonstration; the demo really looked great.

The founders of WIRE won industry awards on their technology development, too, despite the fact that they had not yet produced a commercially viable product. This firm drew attention later to these awards on its website and in communicating with the business press. WIRE's chairman of the board (who was also an investor) explained how these symbols were crucial for his continued support:

The fact that existing investors supported the company in a severe cash crisis and stuck with it was very much supported by the winning of awards. In other words, the external support for these guys working on this piece of technology. You know, entrepreneur of the year and all those sorts of things... The technology industry congress endorsing what WIRE was doing helped people to stay with this concept. Could we prove it worked in the marketplace at various points? No, we couldn't. But we needed to get those external endorsements to help us stay with it.

As Rao (1994: 32) has noted, victories in certification contests for early car

manufacturers were in fact social tests that legitimated organizations and enhanced their reputations because of two widely held beliefs. First, winners are better than losers. Second, contests convey rational and impartial testing. Awards, such as degrees from prestigious business schools, are credentials that symbolize capabilities and establish social standing.

**Venture's age and number of employees.** Some ventures conspicuously displayed age or number of employees to convey a variety of organizational achievements. The older the firm, for instance, the more clearly it has overcome major hurdles to becoming an established enterprise. The probability of going out of business has significantly diminished. The perception of reliability, therefore, increased. As one founder said, "It made a massive difference to say that we've been around for twelve months; we're no longer fly-by-night. You could just see it in people's receptivity." Thus, on its February 2003 website, the firm underlined that it had incorporated at the beginning of 2000. Legal incorporation enhances the survival odds, because it enhances legitimacy (Delmar & Shane, 2004).

The co-founder of FINA explained how website presentations made his venture appear larger than it really was: "We create an illusion. If you looked at our website, you'd think we were twenty-something people. You come to this office and you notice we're actually four."

Emphasizing symbols of organizational achievement can enhance what Suchman (1995) has called "consequential legitimacy." According to the rationalist "mythology" of the modern order (Meyer & Rowan, 1977), organizations should be judged on what they accomplish. These intrinsic (technical) dimensions of achievement are socially defined and seldom exist in any objective sense. In highly ambiguous settings, claims of achievement are primarily signs of disposition or potential achievement (Suchman, 1995: 580). Nascent ventures can start building consequential legitimacy by drawing the attention of resource holders to early symbols of achievements that have yet to lead to commercial success.

## **Emphasizing Symbols of Stakeholder Relationship Quality**

Associations with prestigious external stakeholders (e.g. customers, investors) are important for new companies, which still lack substantive achievements and solid reputations. We found that entrepreneurs encouraged investment by drawing symbolically on the prestige of their associates to acquire more resources; they showed symbolic personal attention, moreover, to potential stakeholders.

**Prestige stakeholders.** As a going concern, a new firm needs to be seen in good company with high profile organizations and individuals. Startups can achieve these goals through symbolic emphasizing: dropping high-profile names, mentioning relationships with famous people or companies, or involving prestigious outsiders as company representatives. These activities are intrinsic in that they account for existing and potentially useful relationships, but they can at the same time be symbolic in that ties with prestigious outsiders enhance legitimacy in the eyes of third parties (Stuart *et al.*, 1999). As an illustration, dropping names helped the founders of HOTEL land their first big customer. They used the name of one hotel chain to get a second one to join their network. Then, the founder drew attention to these two big names to recruit other clients and to get additional funding. As one founder noted, “The fact that we had two international multi-million dollar companies who supported us, gave us a lot of credibility and was absolutely critical for getting funding.” In addition, the backing of four high-profile investors and industry experts who joined the company’s board became an important symbol of prestige to the outside world. As one founder told us “They’ve been a real asset in terms of credibility, and it helped us forge important partnerships.” He went on:

We’ve just got a big deal with the Association of National Travel Agents to promote us into six thousand travel agents, and it’s a huge deal, and we’re only twenty-five people in the company. The reason they think we can do it is they look at our board and they see some very big names on there now.

**Personal attention.** Entrepreneurs remained concerned that the relatively small size of their ventures made them easily overlooked or forgotten by bigger companies. Being acutely aware that the latter dealt with many suppliers, these entrepreneurs made conscious efforts to be noticed or remembered. By doing so, they maintained and expanded their “mindshare” to generate repeat business or be introduced to other companies. These efforts included sending flowers to spouses, delivering customized e-mail greetings on special occasions, and offering gifts (usually displaying their corporate logos). These were symbolic actions in that they reminded recipients of the existence and trustworthiness of the senders. In other words, they did not merely please and ingratiate the recipient or merely comply with contractual agreements (intrinsic function). FINA founders, for instance, regularly offered inexpensive artifacts as symbols of personal attention. As one FINA founder told us:

We try to influence the clients’ selective recall. The way we do it is through small gifts like a pen with our company name on it: FINA, or rulers that have FINA written on them. People keep these things on their desk and they use them. You’re laughing at this, but the small things help people to remember us.

Customers appreciated these gestures. As one FINA customer said, “FINA regards our large investment bank as a prime client. Service is important, and FINA attends to us as if we were their most important or *only* customer, and continues to do so.” (Our emphasis)

Other scholars have suggested that symbolic actions that are associated with minor intrinsic value (e.g., participatory decision-making or granting honorary titles) can still be highly appreciated by recipients, because they signify increased affiliation and presume recognition of valued contributions (Salancik, 1977). Moreover, considerable research has suggested that people who experience positive feelings become more helpful and generous. Even surprisingly small gifts such as cartoons, cookies, or notepads often reduce interpersonal conflict (e.g., Isen & Baron, 1991), facilitate negotiations (Carnavale & Isen, 1986), and promote helping behaviors

even among strangers (Isen & Levin, 1972).

More generally, symbols of healthy comfortable relationships foster what Suchman (1995: 578) has called “dispositional legitimacy.” The modern institutional order increasingly personifies organizations and treats them as coherent, morally responsible “actors.” People are likely to accord legitimacy to organizations that appear “trustworthy” or “decent” or “wise.” But the attribution of “good character” generally requires a track record of consistently reliable “performances,” which new businesses cannot have. As Suchman (1995: 588) has suggested, though, a firm can “overcome this obstacle by trading on the reputation of its key personnel in previous endeavors.” These dispositional spillovers may be reinforced by the use of *character references*, who are willing to vouch for the untested entity’s innate reliability.”

### **Variety and Frequency of Symbolic Emphasizing**

When contrasting high and low levels of success in attracting resources, our analysis suggests, the most successful entrepreneurs communicated through the widest range of symbol-laden activities (see Table 6); less successful entrepreneurs used a more narrow range. As an example of the latter, CLAIM initially acquired several customers (including a few large, well-known companies), and used their names in the company’s brochure and on its website. But it remained cash-strapped and employed only one salesperson, who did telemarketing with one of the three co-founders. The entrepreneurs did not produce as wide a variety of symbols as they could have done (e.g., with a larger variety of sales approaches).

The same was true of MARKET, which failed either to create a wide a range of symbols or to display them effectively. It won a prestigious business-plan competition, raised \$2 million from a blue-chip venture-capital firm, and negotiated a deal with a technology provider--and all within a few months during the first half of 2000. Instead of widely publicizing the symbolic value of these achievements, however, MARKET used a narrow approach and relied almost exclusively on the



lead entrepreneur's presentational skills. And he used these with only a few potential customers. MARKET rapidly lost steam because of its inability to entice customers to trade actively on their platform. Even though they were slowly building an installed base, the number of active, paying customers (a key resource for an on-line marketplace) remained low for the first three years.

Tables 6 and 7 depict the categories of symbolic emphasizing that we have already described and compare high and low-resource-acquisition ventures. The more categories that are indicated in a column (venture), the greater the variety of symbolic activities.

[INSERT TABLES 6 and 7 ABOUT HERE]

Table 6 shows that the average number of categories used by the founders of HOTEL, FINA, and WIRE was 4 (out of a total of 4) but only 2.75 for the founders of MOBILE, CLAIM, WIND and MARKET. Looking at the sub-categories shown in Table 7, the contrast is even sharper. The average number of categories used by founders of high-resource-acquisition ventures was 7.3 (out of a total of 8) but only 3 for the founders of low-resource-acquisition ones.

Why is variety in symbolic emphasizing important? Studies of persuasion have shown that the source's (e.g., entrepreneur's) credibility affects the believability of the message (Hovland & Weiss, 1951; Petty & Cacioppo, 1986). For a startup to appear credible and competent, though, it needs to display symbols of social acceptability and distinctiveness that extend beyond the personal credibility of an entrepreneur and project the image of a reliable business. Another reason could be that entrepreneurs deal with a variety of groups of resource holders that hold different interests and values; a symbolic action that appeals to one group might not appeal to another one. The "law of requisite variety" is likely to apply here (Weick, 1979).

Displaying a wide repertoire of symbols might be more effective than a narrow one, moreover, because the symbols might be interdependent. One private investor, for example, mentioned that some entrepreneurs who had sought his support had once worked for prestigious

firms. Because that could be a good or a bad sign, he was looking for further cues:

The entrepreneurs could have got fired, because they couldn't keep themselves busy inside a large firm, and they're wondering how in the hell they're going to make ends meet... One of the things one's therefore always looking for: Have they got evidence that they've got a sense of quality and commitment, and the capability that would come from that?

Hence, startups need to project credibility and competence by using many symbols and cannot rely on the effects of only a few. By displaying these effectively, entrepreneurs shape a symbolic universe that enhances the intrinsic dimension of their activities.

The number of dots in every cell of Table 6 depicts the *frequency* of symbolic emphasizing, with each dot representing one symbolic action that was used for the acquisition of one resource. The more dots that are in the cells of a column (i.e., for a venture), the higher is the frequency of symbolic actions that founders reported. The table shows that high-resource-acquisition ventures had a frequency of 3.7 symbolic actions per category (i.e., an average of 3.7 dots per cell), whereas low-resource-acquisition ventures had a frequency of only 0.9. Why is frequency so important? If symbolic displays involve congruent and distinctive symbols that can be observed repeatedly, then resource holders will probably become increasingly convinced that the business is reliably distinctive.

Taken at face value, Tables 6 and 7 might have allowed us to infer that the quantity of symbolic actions (their variety and frequency) might be enough to “predict” success. We are reluctant to draw that conclusion, however, considering the nuances provided by qualitative considerations--those that are featured in our proposed concept of sensitivity.

### **Sensitivity in Symbolic Emphasizing**

We define sensitivity as the quality of action that displays fit (1) with the beliefs held by various resource holders about appropriate, desirable behavior and (2) with the symbolic actor's own goals and abilities. Actions are sensitive when they are mindful of the interacting parties'

beliefs but do not blindly mimic others' behavior. For example, one entrepreneur paid careful attention to the choice of car that his employees drove to visit customers in multinational firms:

It would be a good quality car, possibly something like a BMW or Mercedes, but not a prestige car. We would not want our people to drive something like a Porsche. It would give very much the wrong image: a lack of substance, too expensive, more interested in style than in content.

The founder of FINA was also very careful about what *not* to display to customers:

When I go to a conference, I stay in a little two-star hotel up the hill. Do I tell my clients that's where I'm staying? No. Just happen to go home after the conference, walk up to my little two-star hostelry up the road, pay £25 and they're all paying £150.

Symbolic sensitivity could be subsumed under the more general description of "social skill" (Fligstein, 2001) and is hard to define accurately by any single measure, so we propose several criteria. These are based on the accounts of both entrepreneurs and resource holders. Our data suggest that this concept could involve at least two dimensions: actors, and the interactions between them and their audiences.

**The symbolic actors.** The quality of symbolic actions likely hinges on whether entrepreneurs *consider their own abilities and constraints in symbolic emphasizing*. Entrepreneurial symbolism differs from that of established firms in at least one important way. Large firms often have plenty of resources to enact expensive symbols. They can change their logos on company buildings, their uniforms, and their equipment. British Airways spent \$100 million to change its logo and thus symbolize its new global orientation. Redesigning their symbols can help businesses extend or change their identities (Pratt & Rafaeli, 2001; Glynn & Abzug, 2002). Small firms, by contrast, have the added challenge of appearing distinctive with symbols that do not require a lot of money in order to preserve precious cash. Entrepreneurs who are successful in attracting resources managed this challenge quite well. Consider the case of FINA, where explicit awareness of front-staging an appearance of professional organizing

(Goeffman, 1959) was paired with cost-consciousness. The founder told us:

I think cash is absolutely king and you have to be very, very parsimonious with your cash. If you can get a discount, like second-hand computers – why do you want new computers? You don't. I've got second-hand computers. Okay, fine. Have a small office. What matters is the external presentation, your perceived office. It doesn't matter whether actually your office looks good, bad or indifferent. But external perception is important. What you really do, I think, is a different matter.

Entrepreneurs who failed to attract resources on the other hand, were seldom fully aware of their capabilities in handling interactions with both intrinsic and symbolic dimensions. The founder of WIND (a British firm), for example, sent his senior employee, from Italy, to a crucial negotiation with potential Spanish investors who had never invested outside their home territory before, let alone in a startup. The employee tried a mainly analytic, quantitative approach to convince the Spanish investors; he was unable to see and address their other concerns. The differences between the national cultures of the negotiating parties did not help. A member of the advisory board of WIND, who recounted this incident, believed that it was a serious mistake:

Here was a Spanish company that had not made an involvement in a non-Spanish company; therefore Spanish-speaking involvement should certainly have been part of it. But, the entrepreneur sent an Italian whose skills are mostly analytical/numerical, and also he was from the wrong industry.

Banal or awkward symbolic actions can backfire if people perceive them as socially inappropriate or manipulative (Ashforth & Gibbs, 1990). Most people know intuitively how hard it is to translate conceptual knowledge into skilful action (Pfeffer & Sutton, 2000). As a result, symbols of competence can be symbols of social efficacy, too (Feldman & March, 1981). Stakeholders are likely to support ventures that can display a variety of imaginative symbols in socially appropriate ways; they assess these as appropriately innovative and socially fit.

Another symbolic actors' skill is the ability to *translate awareness of symbolic ideas into symbolic actions*. Some entrepreneurs grasped the importance of symbols but failed to act accordingly. The founder of WIND, Jeremy, understood the symbolic importance of interesting

websites, nice furniture, and appropriate dress codes. One advisor, Paul, had even convinced Jeremy and his senior employee, Luke, to take lessons from a coach who specialized in “presentation” skills. But they were not very successful. Luke kept neglecting important symbols such as dress. A board member commented that the “employee was always scruffy. I suggested to the entrepreneur to tell him to look smarter.” This stands in contrast to the attention that some other founders paid to their audiences, with respect to dress codes.

**Interaction between the actors and their audiences.** The quality of symbolic action often hinged on whether entrepreneurs *customized their symbolic display to particular audiences*. Some used dress codes to symbolize formal structures, adapting these to the beliefs of various audiences about professionalism. They sought to convey to the audiences that they understood specific contexts.

If we’re going to the City and talking to finance companies in London, we’ll dress in the way that finance company people dress: formal suits, good quality shirts, the double cuff or French cuffs, cuff lengths, etc. You know, you’re wearing a smart pair of polished shoes. You really make the effort. Having said that, we also just sold a project a few months ago to a construction company, and we did exactly the opposite: We dressed down.

Another in the consultancy business added:

Your appearance is very important. When meeting with international companies in London, we dressed expensively and drove a good quality car such as a BMW or Mercedes. But if you are dressed like that going into a small manufacturing in the north of England, you would probably frighten them. The customer would think that we would never understand their business to do good consulting. Or if we can afford a car like that and a suit like that, we’re going to be too expensive.

This approach is consistent with research, which has found that organization members use dress as an informative symbol for work-related activities (Rafaeli, Dutton, Harquail & Mackie-Lewis, 1997). Aspects of dress--color, material, and style-- communicate significant non-verbal information to outsiders about identity, values, power, and wealth (Bushman, 1984; Humphreys & Brown, 2002). The meanings associated with a company’s representatives can be extended to

redesign its corporate image (Rafaeli & Pratt, 1993).

The quality of interaction between symbolic actors and their audiences depends also on the level of *complementarity between the content of symbolic actions and the processes that are used to display it*. Some ways of communicating symbolic content do not allow entrepreneurs to display full symbolic value. The founders of CLAIM, for example, initially relied exclusively on telephone sales. This medium limited the range of symbolic activities and made it harder to display fully the symbolic value of their product. One investor commented that “Cold-calling is great, but if it’s warm-calling, it potentially works better.” One of the CLAIM co-founders, too, acknowledged this in retrospect:

We pretty much found out that we had to go and visit customers. We had to give them a face, we had to give them comfort, we had to show them that we understood what they needed. We had to make sure that these finance people felt very, very comfortable with us and that essentially we were not going to fail. If we failed, they were going to look stupid to their senior management, and because they had relatively less power, people were going to be very, very hard on them. So one of the ways to mitigate their concerns was to be there in front of them and to make sure they trusted us and that they built a relationship. That’s something we weren’t doing originally.

The founders of HOTEL, themselves successful in attracting resources, were very conscious of the opportunities that face-to-face communication offered them for tailoring their symbol-laden pitch. One co-founder explained:

I’m not sure that we could ever pre-categorize it, but when we presented it together, actually it was a very good combination because some people completely warmed to the other HOTEL co-founder and didn’t talk to me for the entire discussion, in which case I just shut up and he presented it. Other people did exactly the opposite, you know, and he just shut up and I presented it. It was kind of fifty-fifty, but we could almost never predict which way it was going to go.

This quote illustrates a subtle form of symbolic interaction (Mead, 1934). The resource holder not only has to understand what the entrepreneur wants to say but must personally like the entrepreneur’s way of saying it.

Our findings reveal that all four low-resource-acquisition ventures (MOBILE, CLAIM, WIND, MARKET) performed symbolic actions with less sensitivity than high-resource-acquisition ones (HOTEL, FINA, WIRE) (see Appendix 6 for examples on how we coded high and low sensitivity). The former tended to follow a more technical-analytical approach, focusing their activities on developing their product or promoting their technological superiority. Their founders under-invested in the skillful presentation of their products, of their organizations, and of themselves.

### **Boundary Conditions**

The relative importance of symbolic actions and their required quantities and qualities can depend on factors that are beyond the scope of our core constructs but that nonetheless affect the relation between symbolic emphasizing and resource acquisition. For example, the required variety, frequency, and sensitivity of symbolic emphasizing to attract resources likely depend on the *social distance between resource holder and resource seeker*. Our data suggest that the smaller the gap in terms of norms, expectations, or status, the less important symbolic emphasizing is for bridging it. Specifically, if potential resource givers had once worked in conditions similar to those of the entrepreneurs and were therefore familiar and comfortable with the context of the startup, then it might take relatively little effort to attract support from them.

One CLAIM co-founder mentioned in this regard:

Our first customer was another startup, but one that was funded by Oracle and Alcatel. So it's a slightly different scale, but still that startup mentality, and they loved the products, and they weren't interested that we had any customers, because they didn't have any customers. So it didn't make any...you know, it wasn't an issue. You're a startup, we're a startup, great, yes, what have you got? Fantastic, we like it. Let's go. So their attitude toward risk was very different to that of other companies that wanted to see our balance sheet from last year, or something that we couldn't really furnish because we didn't have it.

Our data suggest that similar institutional backgrounds could speed cognitive

appraisal, and mitigate possible doubts. A supplier to CLAIM, himself an entrepreneur, admitted, “I’ve been a hopeless businessman all my life, and if I like people and I like their business idea, I’ll back them in terms not necessarily financially, but I’ll back them in terms of time and effort to help make it work.” Another investor confirmed: “I like to think of myself as a little entrepreneur, so I’m naturally interested in other people who call themselves entrepreneurs.” This points to empathy with the entrepreneur and sympathy for the entrepreneurial cause as possible explanations of why one might expect a moderating effect: The smaller the social distance between potential resource givers and entrepreneurs, the weaker the association between symbolic emphasizing and the acquisition of resources.

*Visibly outstanding intrinsic quality* (or, the state of venture development) matters. The more resources a company has, the less important the role of symbolic emphasizing. When companies can point to impressive intrinsic track records, impressive achievements, and impressive levels of competence, their entrepreneurs do not have to emphasize the symbolic dimension as much as when they had very little resources to get more support. HOTEL, for example, built a broad resource base of customers, suppliers, employees, board members, and investors. Doing so significantly reduced its startup liabilities after only a few years. Consequently, the co-founder had this to say:

I think marketing materials that display endorsements from hotels that work with us are much more important in the early days than they are later, actually, which is unfortunate because the early days is when you can’t afford them.... The early endorsements are slightly disingenuous because the hotel’s only worked with you for a couple of weeks, but you ask them, would you endorse it? It looks like you’ve been around for a while... We produce quite glossy looking brochures, which annoys me because I don’t actually think they do much good now. But certainly then people would say right, they must be reasonably good—they can afford a brochure.

Another entrepreneur added: “I think image is part of the offering, especially to win new business. It’s less important for repeat business.”



We therefore surmise that the more visible a firm's intrinsic quality (i.e., the more advanced its state of development), the weaker the association between symbolic emphasizing and resource acquisition. In other words, using the same variety, frequency, and sensitivity of symbolic emphasizing will have a stronger effect at a very early stage.

Finally, our data suggest that the greater the *uncertainty in the marketplace* about the value of a company's product, the more important symbolic emphasizing is likely to be for attracting resources. Uncertainty can be constant if competition is high. As one entrepreneur told us:

Our industry has very few barriers to entry. Anybody can stick a brass plate on their door and announced that they are now in business. So we differentiate ourselves by conveying a whole feel of quality, with good quality offices in good locations with good quality furnishings and good people to project a feel of validity, of a well-established business.

Despite the heightened uncertainty and nervousness that beset international investors following the terrorist attacks of September 2001, the founder of HOTEL negotiated hard with financiers and thereby showed to the counter parties that he was a tough and shrewd businessperson in whom it paid to invest. Investors took notice, as one of them testified: "The founders were actually prepared to be quite challenging, when in reality their position was probably not as strong as it would have been pre-September 11<sup>th</sup>. So they had the wherewithall to still negotiate hard and that was a good sign in my view." Another investor confirmed: "We test for it very consciously and very actively during the negotiation process with the companies that we are going to invest in ... people who lay down and take any terms you'll offer them are probably not people you want to back." This is consistent with Pfeffer's (1981: 46) claim that symbolism becomes important "in contexts in which assessment is difficult, involvement is segmented and incomplete, technology or the connections between actions and results are uncertain, and preferences are ambiguous." Because one function of symbolism is to mitigate uncertainty, the greater the entrepreneurial uncertainty, the greater is its influence on attracting

resources (see also Higgins & Gulati, 2003).

Besides these moderating factors –social distance, state of development, and uncertainty— other variables such as the broader environment, location and time might influence the relationship between symbolic emphasizing and resource acquisition. Since our study controlled for these factors, future research will have to determine their importance and effects.<sup>9</sup>

## **DISCUSSION**

We began with some open-ended questions: How can entrepreneurs convince skeptical resource holders to commit precious resources to help their own unproven ventures instead of others in similar circumstances? And what do they actually do to build up their young companies? Getting early support is critical. In Figure 1, we show that those who perform symbolic emphasizing with high degrees of variety, frequency, and sensitivity are more likely than others to attract resources. Symbolic emphasizing refers to patterned actions in which entrepreneurs display and direct the attention of potential resource givers to the symbolic dimension of their startup activities over and above their functional, or intrinsic, dimensions.

### **Creating Legitimacy by Projecting Distinctiveness and Reliability**

Why would symbolism help? Symbolism often works because interpretation of symbols is largely an implicit process: Symbols represent an integral part of people’s knowledge structures and taken for granted assumptions that help them make sense of social reality (Weick, 1995). Research on social perception has found that people are likely to apply various preset or “stereotypical” categories to assess other people when they lack the time or cognitive ability to think accurately (Macrae & Bodenhausen, 2000). This condition is likely to affect unproven startups. The categories of symbolic emphasizing and forms of legitimacy that we describe can

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<sup>9</sup> We have also developed another action concept, called building momentum in resource acquisition, which we discuss in Appendix 7.

represent some of the assumptions that resource holders use to make early assessments.

To reiterate, symbols of personal credibility enhance cognitive and personal legitimacy. Symbols of professional organizing enhance structural and procedural legitimacy. Symbols of organizational achievements enhance consequential legitimacy. And symbols of strong relationships with stakeholders enhance dispositional legitimacy. These forms of legitimacy shape the overall legitimacy of new companies and help them attract resources (Pfeffer & Salancik, 1978; Scott, 1992; Zimmerman & Zeitz, 2002).<sup>10</sup>

Our analysis has led us to rethink Suchman's definition (1995: 574) of legitimacy in this context. What attributes should a young firm display to promote its legitimacy? Many of the activities listed in Table 3 help convey perception of distinctiveness, reliability, or both. Distinctiveness is what society generally believes is the function of entrepreneurship: producing new and useful offerings that disrupt the old order (Schumpeter, 1934: Chapter II). As described earlier, distinctiveness is conveyed in symbols such as a prestigious school, invitation to speak at expert conferences, engaging in research, clothing, affiliation with prestigious people, prototypes, or awards.

But innovation is risky, and many innovations fail. Many resource holders are reluctant to commit their precious resources to distinctive but short-lived firms. They want reassurance that the young firm is likely to offer reliable goods and services in the long term, and look for as many (symbolic) cues as possible that might indicate reliability. One entrepreneur told us:

We asked potential customers what they look for in a business like ours, and that obviously affects how we present ourselves to the market ... The *whole feel of quality* differentiates us from our competitors, e.g., good quality offices in good locations with

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<sup>10</sup> What about Suchman's (1995) other forms of legitimacy, which we have not mentioned? What, for instance, about exchange legitimacy? Exchange legitimacy relies on fair economic exchange between the company and its stakeholders. A poor new company is unlikely to have it. Our analysis reveals only four categories of symbolic emphasizing and associated legitimacy forms that can be expected of a performing startup.

good furnishings and good people, and gives our potential customers confidence that we have been around for some time and we will be around for some time.

As this quote illustrates, distinctiveness and reliability can be conveyed by symbols. An MBA could symbolize reliable business knowledge, for instance, whereas the name of an Ivy League business school conveys distinctiveness (personal credibility leading to personal legitimacy) and reliability (in selecting high caliber candidates). A prestigious office location conveys distinctiveness as well as reliability merely by being near successful companies (structural legitimacy). Responding fast and well to customer requests is not only practical but also both distinctive (doing better than competitors do) and reliable (under uncertainty track record is the best predictor of the future). And so on.

Our proposed “meta attributes” of distinctiveness and reliability, which make new companies legitimate, can be related to Hargadon’s and Douglas’s (2001) argument that an innovation must be both new and familiar to be adopted. We suggest that reliability could represent another critical factor. Legitimacy stems partly from the trust that develops from perceptions of reliability and familiarity (Zucker, 1986). Even though familiarity connotes conformity to traditional beliefs and expectations--one could, in the extreme, be familiar with an unreliable but established organization--reliability underlines the need of potential resource givers for reassurance. Whether and in which circumstances is reliability more important than familiarity would represent intriguing questions for future research.

### **Symbolic Emphasizing, Selection Pressures, and Structural Inertia**

A closer look at the symbolic actions listed in Table 7 shows that companies with low success in attracting resources used very few symbols that convey the personal commitment of entrepreneurs, structural and professional processes, and personal attention. This weakened personal, structural, procedural, and dispositional legitimacy. Resource holders might not have

seen “enough” consistent evidence of legitimacy.<sup>11</sup> This suggests another way of thinking for firms that delay their implementation of professional structures and processes on the grounds that these would undermine flexibility. Too much flexibility in the absence of structures and processes can look to wary resource holders like disorganized and therefore unreliable management. This interpretation supports Hannan’s and Freeman’s (1984: 153) conjecture that organizations receive public legitimation when they can reasonably claim reliable performance-- that is, “the capacity to produce collective products of a given quality repeatedly. In a world of uncertainty, potential members, investors, and clients may value reliability of performance more than efficiency.” These stakeholders are willing to pay a premium for offerings that do not vary much in quality and are available when needed. Reliable performance requires companies to reproduce their structures continually through routines.

Conversely, startups that displayed symbols of professional structures and processes attracted more resources even when those structures were premature in connection with efficiency. This leads to a refined understanding of institutional theory (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). As Zuckerman (1999) has noted, neo-institutionalists point to the homogeneity of organizational practices and posit that nonconformity is punished. But very little empirical evidence supports that hypothesis. Our findings suggest one selection mechanism that is at work right from the start: displaying reliable structures almost immediately. Severe selection pressures foster the replication of relatively homogeneous structures among the few

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<sup>11</sup> Personal commitment symbolizes reliability, because it suggests that entrepreneurs believe so strongly in their ideas that they would persist and find creative ways of solving the problem. Structural and professional processes project reliability, in that an organization that can handle increasing business in a professional and responsible way, even if it does not yet need a complex infrastructure. Paying attention to potential resource holders could also make startups look reliable and increase their dispositional legitimacy. In the early days, due to high uncertainty, potential resource givers need as many cues as possible that companies will pay serious attention to their particular needs. Why else, after all, would potential resource givers take risk in doing business with a small, untested venture as opposed to a large, established organization.

surviving young firms. Thus, it might not be the high level of structural homogeneity as an attribute that *causes* structures to be inert, as suggested by Hannan and Freeman (1984: 155), but the selection pressure for reliability that causes companies displaying inert structures to survive and be reproduced.

### **Variation in the Use of Symbolic Emphasizing**

This leads us to the next question: Why would some new companies use more symbolism than others? If symbolism is so important, why would not all companies use it? The variability is even more intriguing, because our study sample was relatively homogeneous. We cannot answer these questions definitively, but we can offer several possible explanations based on interactions with numerous entrepreneurs both inside and outside of our study sample.

First, hardly any of our respondents used the word “symbol” in open-ended interviews. The closest that anyone came to that idea was impression management, presentation skills, or sales skills. A way of seeing (or naming) is also a way of not seeing (Weick, 1979).

Second, when we presented our findings to entrepreneurial audiences in various countries, most of them agreed and told us about how they had gradually learned the importance of symbolism in connection with incidental feedback from customers and investors. The same MBAs who had taken more courses at school on analytical financial structuring and business than courses on soft “OB” (Organizational Behavior) started to look for courses on sales and presentation within only one or two years of going into business.

Third, as we have already said in the section on sensitivity, becoming aware of some idea does not ensure that one is willing or able to use it well by adjusting symbolic emphasizing to various audiences’ values and expectations, as reflected in the classic “knowing-doing gap” (Pfeffer & Sutton, 2000). Some entrepreneurs told us that they understood the importance of what they called “socializing,” “networking,” or “selling,” but were not personally motivated

(willing) to do those things. They were interested primarily in the intrinsic worth of their products or technologies, and derived more personal excitement from these intrinsic factors than from improving their socializing skills. Some said that they did not yet have the means to hire other professionals to socialize for them, although a few said that doing so would eventually become one of their priorities.

### **SUMMARY OF CONTRIBUTIONS AND FUTURE RESEARCH**

Our study could well be the first empirical study that systematically analyzes a wide variety of symbolic actions in nascent ventures, how these actions are used, and what effect their use has on development. Other scholars have hypothesized about the importance of symbolism (e.g., Aldrich & Fiol, 1994), or have empirically highlighted a few symbols (e.g., Lounsbury and Glynn, 2001). In particular, earlier research on symbolic management examined how communication in response to an established organization's image affects its later performance (e.g., Sutton & Callahan, 1987; Marcus & Goodman, 1991; Elsbach, 1994), and how symbolic action and communication affect power and control relationships within firms (e.g., Westphal & Zajac, 1998). We extend the latter scholars' view of symbolism as verbal pronouncements in alignment with normative values that are not necessarily implemented. In the context of resource acquisition, we define symbolic emphasizing as actions that are performed not instead of their intrinsic dimensions but along with them (Table 2).

This study focuses on the context specific to the nascent period, well ahead of an IPO. This period, though critical, has been understudied, because researchers find it hard to detect emerging ventures with traditional database searches. We have enriched the entrepreneurship literature by (a) articulating in a textured way four categories of symbolic action to overcome the liability of newness (Stinchcombe, 1965); (b) interpreting progress in the acquisition of resources as an interim assessment of entrepreneurial performance; and (c) proposing a theory that links patterns

of symbolic action (variety, frequency, sensitivity) with the acquisition of resources. Unlike earlier research, which examined outsider perceptions of firm quality associated with specific resources that can be moved across firm ties (Stuart *et al.*, 1999), our model depicts the firm as an active shaper of perceptions rather than a passive conduit through which resources flow (Podolny, 2001).

Recently, sociologists have developed theories on what “agency” means (Emirbayer & Mische, 1999) and recognized that “social skills” grounded in symbolic interactions are important for institutional entrepreneurs to elicit cooperation from other actors and therefore to create new systems of meaning (Fligstein, 2001). We contribute to this debate by providing a more textured understanding of what these social skills involve, how they are performed, and whether they are effective, drawing particular attention to the importance of symbols. This could stimulate further research on symbols, including those that are not physical artifacts (Pratt & Rafaeli, 2001). One could explore, for example, the kind of symbol that sometimes provides legitimation and sometimes does not (Glynn & Abzug, 2002; Higgins & Gulati, 2003). Our proposed model can broaden the scope of research on effective subsets of symbolic actions in narrower contexts (e.g., specific institutional fields, industries, or cultures). Although our study begins to highlight the challenges of performing by developing the notion of sensitivity in symbolic emphasizing, future researchers can explore in more subtle ways the conditions that cause excessive or inappropriate symbolism and thus impair the ability to acquire resources.

Given the assumptions of institutional continuity and isomorphism, it is hard to explain the personal will of entrepreneurs who use creative actions to change their environments (Fligstein, 2001). Our agency model of symbolism contributes to the institutional literature by proposing one mechanism, symbolic emphasizing, that agents with distinct self-interests and aspirations can use to make change happen. Symbolic emphasizing represents one way for entrepreneurs to bridge institutional continuity and change. Our research advances one reliability-based selection



mechanism, moreover, which explains how nascent organizations with conforming structures that symbolize reliability acquire more resources, increase their chances of surviving and contribute to the homogeneity of structures that neo-institutionalists have noted (Meyer & Rowan, 1977).

Despite the contributions that we have just suggested, our research is limited in some ways. The use of a relatively homogeneous sample reveals some important aspects of entrepreneurship but might hide others. We have controlled for sources of variation that could turn out to be important contingency factors, moreover, such as the cultural and socio-political context--we studied only one city in the UK--and the quality of human capital. Our relatively homogeneous sample might have highlighted the importance of symbolism in relation to other factors (e.g., business experience or social capital) that might have been more effectively revealed in heterogeneous groups; it allowed us to see more clearly the link between symbolism and resource acquisition. In more heterogeneous groups, how important is symbolism in relation to factors such as technical business skills, analytical intelligence, or social networks?

To summarize, this study has allowed researchers to gain a deeper appreciation of the challenges of acquiring resources for emerging firms, and how these could be overcome. Creative business ideas are valuable but represent only an entry ticket to this game. Technical and analytical skills are handy (McGrath & MacMillan, 2000) but before entrepreneurs earn the right to become innovators, they must first be able to master symbolic action. Entrepreneurship scholars have hitherto often focused on the entrepreneurs' role as innovators who combine resources in novel ways (e.g., Schumpeter, 1934). Our research points to the importance of symbolic skill in the early resource acquisition process. In this respect, entrepreneurs face the twin challenge of skillful symbolic action (to acquire resources) and delivering substance (combining these resources to offer valuable products). No wonder so few of them can overcome these formidable hurdles to bring about the innovations that we enjoy.

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**TABLE 1:** Cases and Interviews per Case

<b>Case</b>	<b>Business Description</b>	<b>Interviews with lead entrepreneurs</b>	<b>Interviews with others <sup>12</sup></b>	<b>Total interviews</b>
<b>CLAIM</b>	Provides expense-claim solutions for medium-sized organizations; supplies web-based expense-claim software and consulting related services	3	4 (2 co-founders, supplier, customer)	<b>7</b>
<b>FINA</b>	Provides independent directors for special-purpose vehicles in a niche of the finance industry; directs and manages project finance, public/private-sector partnership projects, professional and accountable secretarial services	3	6 (Board member, co-founder, customer, 3 suppliers)	<b>9</b>
<b>HOTEL</b>	Provides on-line, real-time reservations for the European hotel industry; promotes their clients to retailers (travel agents and distributors) worldwide, many of whom are market leaders in on-line travel.	3	5 (Angel investor, co founder, 2 VC investors)	<b>8</b>
<b>MARKET</b>	Delivers an integrated on-line solution for trading among dealer banks; offerings are based on an on-line trading technology that provides a platform for trading over-the-counter derivatives.	2	5 (2 co-founders, supplier, 2 VC investors)	<b>7</b>
<b>MOBILE</b>	Installs and manages wireless communication networks for businesses; brings together workplace design, building surveying, project management, radio frequency technology, voice and data network design; specializes in wireless technologies based on Bluetooth technologies.	2	2 (Angel investor, co-founder)	<b>4</b>
<b>WIND</b>	Develops wind power projects for generating electricity. Wind farms have minimum environmental impact and provide an efficient way of generating power but are highly capital-intensive. Office locations in Athens, London, and Washington.	2	4 (Board member, corporate investor, employee, VC investor)	<b>6</b>
<b>WIRE</b>	Provides wireless telephony and personal digital assistant (PDA) solutions system for use within offices. The system turns mobile phones, headsets, and PDAs into extensions and gives portable data devices and smart phones access to local area networks (LAN). When in the office, the mobile phone or headset connects to the corporate network, acting as an internal extension, and carries the call over the LAN.	3	6 (Board member, co-founder, 3 VC investors)	<b>9</b>
	<b>Σ</b>	<b>18</b>	<b>32</b>	<b>50</b>

<sup>12</sup> Some stakeholders provided more than one interview. Therefore the interview count in each cell of this column can be greater than the number of stakeholders.

**TABLE 2:** Illustrations of the Intrinsic and Symbolic Dimensions of Entrepreneurs' Actions

<b>Symbolic Action</b>	<b>Intrinsic Meaning</b>	<b>Symbolic Meaning</b>
MBA from Ivy League business school	Certifies formal business knowledge	Proclaims that we are competent (MBA) & distinctive (from prestigious school)
Speak at conferences	Disseminates information and knowledge	Shows that established people recognize our expertise and invited us in
Carry out market research	Builds up market & product expertise	Says that we are respectable for engaging in "research"
Reduce salaries	Reduces operating costs	Demonstrates strong belief in (or commitment to) the venture
Negotiate hard with stakeholders	Gets superior benefits for our venture	Displays strong conviction about the future success of my venture, and about my own abilities as a business leader
Work office with a prestigious address	Provides a place to work	Proclaims our high status
Web site describing the company and its offerings	Presents company's information	Makes our company look bigger and more established than it is
Office stationery	Presents written information to stakeholders	Says that we are distinctive by decorating our reports with elaborate borders
Receiving advice from prestigious individuals	Gets useful business advice	Shows that prestigious people know and support us
Clothing	Covers the body	Says that we understand and can fit in with an interacting group
Demanding and elaborate personnel recruitment process	Selects good employees	Portrays professional human resource practices used by established organizations
Send greeting messages or gifts to customers	Reminds them of our existence and develops positive feelings	Says that we value our relationships and care about you
Respond faster to customers' request than what they expect	Fulfills our service obligations	Says that we deliver more than we promise and are more than reliable
Display a prototype or demo (with a few mocked-up features related to customer's needs)	Shows preliminary and partial product functionality	Says that we will be able offer a functional and distinctive product that we can customize to suit your needs
Display awards	Presents information to customers	Says that third party recognize us as distinctive (unique achievements)
Display names of prestigious customers	Shows which customers do business with us	Says that established organizations have confidence in dealing with us, that we are trustworthy.

**TABLE 3:** Synopsis of Entrepreneurs’ Symbolic Emphasizing to Acquire Resources

Actions to Display	<b>Examples of Symbolic Emphasizing</b> (symbols are <u>underlined</u> , interpretation is given in brackets)
<b>Personal Credibility of Entrepreneur</b>	<p>Displays top tier <u>business school degree</u> (demonstrating personal competence)</p> <p>Engages in or pretend to engage in <u>research project</u> (demonstrating personal competence)</p> <p>Paints exciting yet plausible vision of future in <u>business plan pitch</u> (demonstrating personal competence)</p> <p><u>Negotiates hard</u> (demonstrating personal competence)</p> <p>Gives customized <u>presentations</u> (demonstrating personal competence)</p> <p><u>Quits well-paid job</u> and thus incurs high opportunity cost (showing personal commitment to venture)</p> <p><u>Refuses a salary</u> (showing personal commitment to venture)</p>
<b>Professional Organizing</b>	<p>Wears <u>business attire</u> (professional suit or dress) (conveying professional structure)</p> <p>Shows prestigious <u>office address</u> (conveying professional structure)</p> <p>Displays nice <u>office furniture, stationery</u> (conveying professional structure)</p> <p>Displays <u>advisory board</u> (conveying professional structure)</p> <p>Uses <u>posters on advertising trucks</u> to advertise available positions (conveying professional structure)</p> <p>Puts in place <u>tough screening &amp; recruiting process</u> (conveying professional process)</p> <p><u>Responds fast</u> to client requests (conveying professional process)</p>
<b>Organizational Achievement</b>	<p>Demonstrates <u>mockup</u>, and defending it against probing questions (conveying partially working product or technology)</p> <p>Showcases <u>trial sites</u> and <u>reference customers</u> (conveying partially working product or technology)</p> <p>Communicates winning of <u>industry awards</u> (conveying partially working product or technology)</p> <p>Displays <u>size, age, or performance</u> in promotional materials and on website, etc. (conveying reliable performance)</p> <p>Showcases track record through <u>case studies</u> (conveying reliable performance)</p> <p>Stresses company’s track record in <u>press releases and articles</u> (conveying reliable performance)</p>
<b>Quality of Stakeholder Relationships</b>	<p><u>Drops names</u> of high-profile customers, suppliers, former employers, etc. (conveying links with prestigious stakeholders)</p> <p>Displays <u>associations with high-profile organizations and individuals</u> (conveying links with prestigious stakeholders)</p> <p>Displays <u>board members and mentors</u> as company representatives (conveying links with prestigious stakeholders)</p> <p>Uses <u>artifacts</u> (e.g., gifts), <u>personalized e-mail greetings, newsletters</u> to foster recall (conveying personal attention)</p>

**TABLE 4:** Illustration of Triangulation of Symbolic Emphasizing: Four Examples

	<b>Lead Entrepreneur</b>	<b>Partners / Co-Founders</b>	<b>Investors, Suppliers, Board members</b>	<b>Other Sources</b>
<b>Symbol of Personal Credibility of Entrepreneur: <u>MBA Degree</u> (Case of HOTEL)</b>	It helps the credibility a lot...I think they quite like the fact that I have an MBA ...The previous track record helped. You know, I am Peter Smith, I've got an MBA from a famous business school – again, MBAs were very fashionable at the time.	I'd grown a software company for ten years. So (a) I had got a track record in starting and building a company that still exists, that was making money; (b) we understood the technology, so I knew what was required. From a sector...Peter had good educational credibility in terms of getting into Cambridge, he got his PhD, and an MBA at famous business school. So the combination of those things was reasonably convincing so that we had the ability to pull together the right team to make it happen, and they all say you should invest in teams, not ideas.	VC INVESTOR: The MBA degree obviously showed a level of intellect, and it was very, very clear from dealing with them that they were very bright, well-thought-out individuals. I am sort of skeptical by the MBA qualifications. The fact he [let us know that he] was from famous business school did help.	
<b>Symbol of Professional Organizing: <u>Customer Service Process</u> (Case of FINA)</b>	And if somebody calls back they get their answer today. If I get a quote, that sheet will be on email to that guy within twenty-four hours of being asked. I will have that in hard copy in his hands within certainly forty-eight hours, and if I can take it round by hand, it will be there that evening. Why? Impression management.	We show our clients we know their business; we find the right people in their organizations, and try to avoid key negative people. There are three keys to our success: <ol style="list-style-type: none"> <li>1- trust</li> <li>2- timing: be there on time</li> <li>3- price competitive</li> </ol> We also try to show ourselves as friendly and helpful. We tried to express to client as if we have been with them for an extended period of time and know their business; you integrate yourself as part of their company. Service, service, service; this is key to our business.	SUPPLIER: You intuitively liked the guy i.e., the lead entrepreneur, straight, trustworthy, he did what he said he would ... He worked very hard, and inspires confidence ... He under-promised, and over-delivered  CUSTOMER: Transactions need to be turned around quickly ... The entrepreneur provides quick response time ... As an entrepreneur, he is persistent, professional, and carries things through.	
<b>Symbol of Organi-</b>	We got this nice little trophy. It was good having competition, because we tried really hard to beat them, and we		BOARD MEMBERS: The fact that existing investors supported the company in a cash crisis and stuck with	Company website prominently displays awards won at trade

	<b>Lead Entrepreneur</b>	<b>Partners / Co-Founders</b>	<b>Investors, Suppliers, Board members</b>	<b>Other Sources</b>
<b>zational Achievement: Industry Award (Case of WIRE)</b>	<p>tried so hard we actually got more votes than anybody else at the whole show. So we won the best of show award as well. So we went out of stealth mode with a big bang, and got this nice award, which is great. It helped us basically capture a couple of early field trial customers.</p>		<p>it was very much supported by the winning of awards. In other words, the external support for these guys working on this piece of technology. You know, entrepreneur of the year and all those sorts of things, the blue tooth congress. The blue tooth industry congress endorsing what WIRE was doing helped people to stay with this concept. Could we prove it worked in the marketplace at various points? No, we couldn't. But we needed to get those external endorsements to help us stay with it.</p> <p>INVESTOR: The founder was a terrific promoter. We won a number of awards as the most exciting product at a show, the best...we won best of show at a couple of prestigious shows, and we were one of <i>Time</i> magazine's twenty-five hottest startup companies in Europe. We got a lot of those awards.</p>	<p>shows and other recognitions.</p> <p>In his presentations to resource holders (e.g., investors) the founder displayed the most prestigious awards (e.g., selection into <i>TIME Magazine's Europe's Hottest 30 Tech Firms</i>) on the first page (title page).</p>
<b>Symbol of Quality of Stakeholder Relationships: Prestigious Investor (Case of MARKET)</b>	<p>We were probably helped in our negotiations by the fact with these guys that we have, even physically in some of those crucial meetings, we had our investor with us. He as an individual was a very kind of imposing person. I think even having that physical presence in the negotiations helped us drive a better bargain.... It was quite obvious as well that he was a well-keeper, somebody who controlled a lot of resources. He had that manner about him... When they saw us and they saw our venture capitalist beside us, they really felt we've got to win this deal. I think perhaps if he hadn't been with us,</p>	<p>The fact that we were negotiating for the important supplier deal together with that famous VC firm was a major plus. Without this VC firm, none of this would have happened... The supplier was willing to sell out, but without the VC firm, we as MARKET had no credibility.</p>	<p>SUPPLIER: They had absolutely no track record, nothing. What they brought to the table were, you know...naturally, you meet the people. But the key thing that we would...if the lead entrepreneur would have turned up in our office and said I want to do this, I want to use your platform, I want to use your organization, I want to use your authorization, and I'll pay you with the profit, I would have turned him down. But the VC firm that backed MARKET, they are extremely renowned and we were quite impressed because we knew about them prior to the meeting with Jack. It was quite <i>impressive when this</i></p>	<p>Company website touts the VC investor as an important partner.</p>



	<b>Lead Entrepreneur</b>	<b>Partners / Co-Founders</b>	<b>Investors, Suppliers, Board members</b>	<b>Other Sources</b>
	<p>we may have got a deal but it may not have been as good a deal.</p>		<p><i>venture capitalist ... turned up in his own private jet...</i> remember that this was 1999-2000. We were still living in the hype. So the financial backing was of course the number one issue for us... We were aligned with their thoughts, but the backing, the financial backing was key for our decision processes, naturally.</p> <p>VC INVESTOR: I think the credibility came with the fact that we invested, right. It was all part of the deal... They closed the deal with the technology supplier in November or December. This is hypothesis on my side, but I think they could simply walk in and say look, a top tier Silicon Valley investor has invested in us. We have now the plan and we are getting some traction. It's a different story now, right. It makes a huge difference. Having money or not does make a difference.</p>	

**TABLE 5:** Ventures' Resource Acquisition (1£ is about \$1.80 US)

	<b>HOTEL</b>	<b>FINA</b>	<b>WIRE</b>	<b>MOBILE</b>	<b>CLAIM</b>	<b>WIND</b>	<b>MARKET</b>
Date of incorporation	Apr-99	Oct-99	Dec-99	Jun-00	Mar-00	2000	Oct-00
Co-founders	2	2	4	2	4	1	5
Number of employees 6 months after incorporation	5	2	15	3	5	0	8
12 months after	20	2	15	4	5	0	5
18 months after	20	3	25	3	6	0	4
24 months after	40	4	35	3	6	3	9
30 months after	50	4	40	2	7	3	7
<i>Assessment of success in attracting and retaining high quality human capital</i>	<b>Good</b> (many motivated people joined, hardly any departures)	<b>Adequate to Good</b> (added a few competent professionals; in line with intended organic growth)	<b>Good</b> (signed on many highly skilled engineers)	<b>Low</b> (shrinking employee base despite efforts to expand the business)	<b>Adequate</b> (few new hires beyond founding team; yet consistent with low fixed-cost approach to starting up)	<b>Low</b> (hired two employees, who caused severe problems)	<b>Low</b> (co-founders departed; high fluctuations)
Paying customers 6 months after incorp.	500	3	0	1	3	N/a	4
12 months after	500	21	0	2	10	N/a	12
18 months after	1500	30	0	5	20	N/a	16
24 months after	2000	47	0	6	30	N/a	22

30 months after	2500	54	0	10	40	N/a	30
Sales Q1-Q4 2001 (£)	5,000,000	754,000	0	173,000	N/a	N/a	23,000
Q1-Q4 2002 (£)	20,000,000	915,000	0	104,000	50,000	N/a	22,000
<i>Assessment of success in developing the customer base</i>	<b>Good</b> (according to an investor, company has been “on a roll”)	<b>Good</b> (steadily increasing deal flow)	<b>Adequate</b> (signed on trial customers; yet venture focus was on R&D, not on sales)	<b>Low</b> (very disappointing customer response to venture’s offerings)	<b>Adequate to Low</b> (won some good customers, but much fewer than founder expected)	<b>Low</b> (began to develop wind farm sites, but did not sell any)	<b>Low</b> (number of customers who traded on the firm’s platform remained below critical mass)
Cumulative external funding until Q4 ’02	£3,650,000	£12,550	£13,600,000	£292,000	£558,080	£500,000	\$6,500,000
<i>Assessment of success in attracting enough financial capital to fund operations and development</i>	<b>Good</b> (raised significant amounts even in very difficult funding environment)	<b>Adequate</b> (largely self-funding; no external funds needed)	<b>Good</b> (continued venture capital support helped company through cash crises)	<b>Low</b> (lack of success in fundraising beyond angel investor despite efforts to raise much more capital)	<b>Low</b> (did not raise as many funds as they had expected, and as were needed for product and market development)	<b>Low</b> (given the very high funding needs of the venture; failed to raise several millions of pounds)	<b>Good</b> (raised significant VC funds very early on, and also received later bridge financing)
<b>Overall progress in acquiring resources</b> (during 30 months after incorporation)*	<b>Good</b>	<b>Good</b>	<b>Good</b>	<b>Slow</b>	<b>Slow</b>	<b>Slow</b>	<b>Slow</b>

\* We considered overall progress in acquiring resources “good” when there is “good” or at least “adequate” success in attracting each of the three key resources listed: human capital, customer base -- defined in terms of either the number of paying customers or the number of sales – and financial capital. Otherwise we considered overall progress “slow.”

**TABLE 6:** Observed Patterns of Symbolic Emphasizing in Interviews with Founders

	<b>HOTEL</b>	<b>FINA</b>	<b>WIRE</b>	<b>MOBILE</b>	<b>CLAIM</b>	<b>WIND</b>	<b>MARKET</b>
Emphasizing Symbols of Personal Credibility							
Emphasizing Symbols of Professional Organizing							
Emphasizing Symbols of Organizational Achievement							
Emphasizing Symbols of Stakeholder Relationship Quality							

Frequency measure: Each dot represents one symbolic action that was used for the acquisition of one resource.

**TABLE 7:** Variety of Symbolic Emphasizing Used by Founders

	<b>HOTEL</b>	<b>FINA</b>	<b>WIRE</b>	<b>MOBILE</b>	<b>CLAIM</b>	<b>WIND</b>	<b>MARKET</b>
<b>Emphasizing Symbols of Personal Credibility</b>							
Personal competence	✓	✓	✓			✓	✓
Personal commitment	✓		✓				
<b>Emphasizing Symbols of Professional Organizing</b>							
Professional structure	✓	✓	✓			✓	
Professional processes	✓	✓	✓				
<b>Emphasizing Symbols of Organizational Achievement</b>							
Partially working product/technology	✓	✓	✓	✓	✓		✓
Age, size, or performance	✓	✓	✓		✓	✓	
<b>Emphasizing Symbols of Stakeholder Relationship Quality</b>							
Prestige	✓	✓	✓	✓	✓	✓	✓
Individual attention		✓	✓				

Table entry denotes use of at least one symbolic action for the acquisition of at least one resource.

## APPENDIX 1: Initial E-mail to Entrepreneurs

Dear entrepreneur,

What do entrepreneurs do? Surprisingly, not much is known about this simple question. Yet, increased knowledge about entrepreneurial activity and the entrepreneurial process holds enormous promise for enhanced business creation. To address this gap in our current knowledge, and to put Ivy League Business School in the forefront of entrepreneurship research, we (i.e., names of researchers) would like to launch a research project on the subject. To this end, we are seeking to collaborate with entrepreneurs who would like to participate in our research - hopefully, with you. Ideally, participants fulfill the following criteria:

- \* Launched a new company within the last 18 months, or planning to launch a new company within the next 6 months
- \* Based in the greater London area

Our research would involve initial interviews (estimated total time commitment: 3 hours), and on-site observations of your daily work. We recognize that you are a busy professional and that you are probably working under extreme pressures. That's why we would like to propose to "shadow" you in your daily work, for periods of 2-3 days, without interfering with your work, so that you can go on about doing your business, while we are doing ours.

We follow academic research ethics, which include complete anonymity and confidentiality of our research results, and thorough and insightful exploration. As well, please be assured that we will not report on the specifics of your business idea and how it is implemented, but rather on the process of how you are going about creating and running a new venture. You will of course be among the first people with whom we will share and discuss our research findings.

We would be happy if we could explore this opportunity with you. Could you please let us know via reply to this e-mail (1) whether you are potentially interested in joining our efforts, and (2) whether you could suggest other entrepreneurs to us who might be interested in collaborating with us.

Please feel free to forward this e-mail to fellow entrepreneurs. We are looking forward to your response.

Yours sincerely,

## **APPENDIX 2: Sample Interview Questions for Founders and Co-Founders**

When did you have your first entrepreneurial experience? How did this happen (e.g., during childhood)?

Why did you become an entrepreneur, and when?

How did you perceive the present opportunity?

What initial steps did you and your colleagues take to pursue this opportunity?

What was the role of third parties (e.g., market research firm, lawyer, VC, incubator, etc.) in creating the company?

What were the key resources that you acquired, and how did you acquire them? How did you present yourself to the resource holders?

Do you pay attention to milestones; if yes, which ones?

Did you focus on key processes when building your company; if yes, which ones?

What are the most important issues in the coming 6 months?

What are the most pressing issues/dilemmas that you have been dealing with as an entrepreneur?

What questions do you wish you had an answer for?

What other important aspects about the development of your venture do you think we should have asked you about?

### **APPENDIX 3: Sample Interview Questions for Resource Holders**

Please tell us the story of how you came to work with the venture: When? How? Why?

How did you support the venture (e.g., what resources did you provide, what guidance), and why?

What resources did you not provide to the venture, and why?

How does the nature and range (content and scope) of your support evolve in time (Or what did you do more or less over time), and why? What ongoing support do you provide, and why?

What would you wish you could do more for the venture, the entrepreneur?

Can you give us some examples of how the entrepreneur approached and interacted with you?

What did you like in the way that the entrepreneur dealt with you (and approached you in the beginning)?

What did you like less about the way s/he approached you and dealt with you?

What were the phases in which the venture experienced slow progress? What do you think were the underlying factors?



## APPENDIX 4: IM Action Categories (Based on Gardner & Avolio, 1998)

**Framing** = communicating with the of shaping the general perspective upon which information is presented and interpreted (to amplify values, stress the importance of vision, denigrate opposition)

**Scripting** = developing a set of directions that define the scene, identify actors and outline expected behavior; including

**Casting** (identify the cast of characters)

**Dialogue** (metaphors, analogies, stories; rhythm, repetition, balance)

**Direction** (through verbal and nonverbal displays, such as voice, body posture, speaking rate, gestures, smiles, eye contact, touch)

**Staging** = appropriating, managing, and directing materials, audiences and performing regions (i.e., logistical aspects); developing and manipulating *symbols*, including physical appearances, settings, props, and other types of artifactual displays (italics added)

**Performing** = enacting the scripted behaviors and relationships, drawing on tactical-assertive IM behaviors (e.g., ingratiation, intimidation, self-promotion, exemplification, supplication; see Jones and Pittman, 1982), as well as on strategic-assertive IM behaviors (see Tedeschi and Melburg, 1984)

### Ingratiation

- **Self-enhancing communication:** making verbal statements intended to persuade a target of the speaker's positive qualities, traits, motives, or intentions (to gain respect & liking of the target)
- **Other-enhancing communication:** Praise, approbation, flattery
- **Opinion conformity:** Displaying similarity of beliefs, values, and attitudes to gain liking, with the intention of gaining favors from target
- **Favor-doing:** Can foster an identity as helpful person, but also (based on obligation to return favor for favor) induce a sense of debt in the recipient

**Intimidation** = use of threats to convey identity as dangerous and potent

### Promotion

- **Self-promotion** = securing attributions of expertise, esteem, power, and effectiveness, e.g., by taking on feasible challenges, perpetuating myths about deeds, not disclosing details that may have facilitated performance; fictitious / exaggerated / humble / honest presentation of own qualifications to convey intelligence, motivation, knowledge)
- **Vision promotion** = selling the vision, e.g., by contrasting it to less desirable alternatives)
- **Organizational promotion** = emphasizing positive features and achievements of organizations

**Exemplification** = acting as a model or exemplar of some morally virtuous or principled conduct; engaging in self-sacrificing and personally risky behaviors, claiming to be honest, role-models

**Supplication** = projecting an identity as dependent and weak (purpose: to induce norm of social responsibility)

**Entitlements** = verbal claims of responsibility for positive events

**Enhancements** = verbal claims that the value of a positive event for which the actor claims responsibility is greater than people think

**Strategic-assertive behavior:** Attempt to build a long-term reputation for having certain characteristics such as:

- **Attractiveness** = perception of liking and love, which enhances the effectiveness of positive forms of influence
- **Prestige** = perception of possession of resources, and willingness to use them
- **Esteem** = perception of competence, abilities, special experience, education, in general: of problem-solving skills
- **Status** = perceived legitimate authority derived from a role position (e.g., formal dress in appropriate settings, office furniture, positioning of offices)
- **Credibility** = perception of the source's historical record for keeping promises, backing up threats, making true statements about the past, and accurate predictions about the future

**Facework** = using defensive or protective IM to counteract threats to the face of oneself and others; cannot be used to build a charismatic image, but to protect and repair it

- **Accounts or explanations** (see Tedeschi and Riess, 1981)
  - **Defense of innocence** = denying a damaging event occurred, or the actor was involved
  - **Excuse** = verbal statement in which the actor denies responsibility for the negative consequences of an action; limiting the actor's responsibility for an undesirable event, although the actor admits being involved
  - **Justification** = accepts responsibility for the effects of behavior, but not the negative implications of responsibility (e.g., being late because child is sick); often attempt to align oneself with accepted rules and norms; admitting responsibility for an event, but minimizing its undesirability
  - **Disclaimer** = explanation provided before performance of an action
- **Apologies** = confessions of responsibility for a negative action plus an expression that the action was wrong and deserves punishment
- **Restitution and compensatory actions** = compensating victims of one's actions; also known as prosocial behavior

## APPENDIX 5: Examples of Actions That Did Not Involve Symbolic Emphasizing

	Action	Interpretation: Why Not Coded as Symbolic Emphasizing
<b>Actions Referring to Personal Credibility of Entrepreneur</b>	CO-FOUNDER MOBILE: Part of the presentations was for us to sort of...well, I think we sort of provided a CV on ourselves, and then also gave a brief overview of how we could, you know, use our existing knowledge and skills to grow the business.	No evidence about use of symbols in presenting CV; reference to intrinsic qualities (knowledge, skills).
	ENTREPRENEUR WIRE: We pitched the idea to a guy called David Kerry. At the end of the meeting he goes, look, you've sold me. I'll give you \$1 million, but you have to find yourself a lead investor. That was like an amazing breakthrough for us.	Lack of evidence that pitch involved symbols.
	SENIOR EMPLOYEE WIND: We stopped paying our wages in April/May of 2001. We were advised by large accounting firm that it would take us maybe three or four months to raise the capital. We effectively budgeted that we had sufficient money for three or four months ... I certainly already knew that it was optimistic.	Adopting low salaries out of sheer economic necessity, not to symbolically impress potential investors.
<b>Actions Referring to Professional Organizing</b>	ENTREPRENEUR WIRE: So we had this...from day one, we had a split operation, with the London office, January 2, was my living room-dining room table. Overseas we hired this pretty nice office at a very good rate which could support up to about twenty, twenty-five staff if we really needed to.	Entrepreneur refers to functional benefits of office design rather than to its potential symbolic value for hiring staff.
	ENTREPRENEUR HOTEL: In terms of board, we got a lot more professional about how board meetings, et cetera, were run...I started producing quarterly updates for shareholders, and we had telephone conference calls. They could ring up...It was driven by the non-execs actually. They were saying now that you're having profitability for the UK, and if you're wanting to grow up to the next stage, you need to become more professional. And also if you look in the papers for the companies or the boards that treat their shareholders well tend to be the ones that survive.	Venture adopted professional board processes largely because of functional considerations (assumed link with long-term success).
	SENIOR EMPLOYEE WIND: Well, from our board members we got some slightly different perspective on the business, and sometimes confirmation that what we were doing was actually appropriate, and that is actually very relevant.	Adopting a board because of its intrinsic value (feedback, guidance) rather than reference to its use as a symbol for resource acquisition.
<b>Actions Referring to Organizational Achievement</b>	CO-FOUNDER HOTEL: We talked up our technology so actually when the newly recruited key employee arrived, he thought we had quite a lot of the system built, and we'd got none of it built. ...You know, we told him we knew which components were needed and we told him how it was going to be. We had some sort of design concepts for it and stuff. So we had enough stuff to convince him. But by the time he joined, he'd taken the leap forward.	Impression management that did not involve clear use of symbols; pure "talking up," akin to strategic assertive behaviour (specifically organization-enhancing promotion; see Tedeschi and Melburg, 1984)

	<b>Action</b>	<b>Interpretation: Why Not Coded as Symbolic Emphasizing</b>
	CO-FOUNDER MARKET: Yes, certainly you say look, we've been around the block, we've been around in the market for now a number of years. We're still here, we're doing business, we're not doing a huge amount of business but we're doing business, and we're going to keep on doing business. That certainly helped and people knowing, having heard your name in the market for a while, you know, it definitely helped, definitely helped.	Quote not specific enough to allow inferring that entrepreneurs emphasized the symbolic value of organizational longevity to acquire resources.
<b>Actions Referring to Quality of Stakeholder Relationships</b>	<p>PARTNER FINA: You might ring potential customers up and give them some information on legislative change or something like that. Provide them some little tidbit of service which they don't really expect but it's easy to build a relationship with.</p> <p>CO-FOUNDER 1 MARKET: Buying drinks didn't do the trick. It assisted us in getting prices in, but it didn't necessarily encourage people to always look at it all the time, because there is big socializing that goes in and you have to get it right all the time. Once you get a reputation that it's illiquid, it's very hard to turn people's minds around.</p> <p>CO-FOUNDER MOBILE: We started doing a little work with Microsoft. It was seen as an opportunity at the time, but it hasn't brought in any tangible benefits. It's hard to say that it's exciting now. Not really, but at the time we did a lot of shows and Microsoft, they paid for us to go around Europe and sort of show some of the applications we had on the Microsoft platform.</p>	<p>Impression management by ingratiation through doing favors (Jones and Pittman, 1982); lack of evidence of symbols.</p> <p>Same.</p> <p>Highlighting the intrinsic benefits of a partnership with Microsoft (doing business, saving money, demonstrating technological compatibility); not pointing out how the prestige of the partner was used for acquiring resources or whether it was used at all.</p>

## APPENDIX 6: Contrasting High And Low Sensitivity in Symbolic Emphasizing (SE)

Sensitivity in SE	FINA (selected evidence + interpretation)	MOBILE (selected evidence + interpretation)
<p><b>ACTOR:</b> <b>Consider own capabilities and constraints in SE</b></p>	<p>FOUNDER: I think cash is absolutely king and you have to be very, very parsimonious with your cash. If you can get a discount, like second-hand computers—why do you want new computers? You don't. I've got second-hand computers. Okay, fine. Have a small office. What matters is the external presentation, your perceived office. I doesn't matter whether actually your office looks good, bad or indifferent. But external perception is important. What you really do, I think, is a different matter. <b>(Considers constraints, and works around them)</b></p>	<p>FOUNDER: Gaining credibility...we should have done a lot more. I'm just not too sure because PR costs money, and I'm not prepared to spend any money on PR. So our options are limited by what we can do for free. <b>(Reflects on constraints, yet not sure how to work around them)</b></p>
<p><b>ACTOR:</b> <b>Transform conceptual awareness into SE</b></p>	<p>FOUNDER: What you haven't got here is the client name up here, so it's an immediate association between the client's name, and this just happens to be a law firm, and our own logo. We put that thing right in the middle here. Why? Because it makes them feel comfortable. <b>(Founder aware of, and implementing SE)</b></p>	<p>FOUNDER: We were just still a bunch of clowns wandering around with PowerPoint presentations. <b>(Indicates that initially founder was not even aware of factors that enhance credibility)</b></p>
<p><b>INTERACTION:</b> <b>Customize SE to audience and/or consider resource holders' perceptions</b></p>	<p>FOUNDER: The decision to employ us is like a grain of sand in the order of life. But our strength over the competition is we are visible, people know us and we keep the communication going. Absolutely key to this business is continuous tilling of the ground. It doesn't matter what you're doing...it doesn't matter whether you take the weeds out. You just have to be seen to be active all the time. Active but not intrusive. <b>(Founder pays attention to others' perceptions)</b></p>	<p>FOUNDER: So we kind of knocked up a wireless business plan. Looking back on it, it's quite embarrassing. We didn't really know the industry that well. Made all sorts of like, really horrendous assumptions that really weren't quite valid. They did enable us to raise a whole £20,000 which is like absolutely nothing. <b>(In the early days, founder failed to take resource holders' perceptions into account: investors expected industry-specific knowledge)</b></p>
<p><b>INTERACTION:</b> <b>Complementarity between content &amp; process of SE</b></p>	<p>FOUNDER: We have a marketing brochure, and we go around and see people, and we show them what our company looks like and how it's grown in three years and that we've now got operations in London and Ireland and Jersey and the Netherlands. Then we say you know, look, we've just done this... deal—that's a billion dollars. We did a \$22 billion deal for a certain bank, which actually isn't on our website because it's a private deal...That sells itself, really. <b>(Founder combines SE with a personal, face-to-face communication style)</b></p>	<p>FOUNDER: We realized that the cold calling approach was just not working at all... You can't kind of go out to industries and say, you know, we think that they will be early adopters, let's go out and cold call them. I think in the early days they find you. <b>(Founder realizes now that initial process based on cold-calling potential customers did not work, yet did not consider a more pro-active approach; adopted a passive stance instead.)</b></p>
<p><b>Overall Assessment of Sensitivity in SE</b></p>	<p><b>HIGH</b></p>	<p><b>LOW</b></p>

## APPENDIX 7: Building Momentum in Acquiring Resources

Our data suggest a dynamic extension to our model. Some founders referred to “momentum.” The relevance of this concept became clear during field interviews in which several entrepreneurs evoked the word (without being prompted) to describe progress. As one put it, “Momentum is important. Yes, it’s everything. It’s *credible* evidence of *progress* and the *velocity* of making that progress. It’s achievement but there’s a time dimension to it” (our emphasis). Later, we discovered how entrepreneurs displayed whatever resources they attracted in the beginning as symbols to attract more resources. Some were explicitly trying to build positive feedback. This suggested to us the action of *building momentum in acquiring resources*.

We define this as an activity that deliberately mobilizes already acquired resource in order to gain additional resources. Building momentum is related to but distinct from symbolic emphasizing. Entrepreneurs can build momentum dynamically through both symbolic and intrinsic levers – both independently and jointly. The founder of HOTEL noted that “we had a lot of people who were ready to join when we had funds,” which hinted more at the intrinsic value of raising external financing for attracting employees (i.e., further resources). But, when a venture had fewer intrinsic achievements, symbolism could become more important. The founder of CLAIM, for example, confessed that it had won far fewer customers than expected, “but then when you look at it, you think well, you know, first it’s the product. We’re in the marketplace and we’ve got a nice customer list that we can show people.” A co-founder hoped that this would attract more resources--especially customers: “We’re up on our board just waiting for the wave to gain momentum.” Other entrepreneurs, such as the founder of WIRE, were leveraging intrinsic and symbolic dimensions concurrently, for recruiting key employees:

We signaled professionalism that we knew what we were going to be doing

(*symbolic*). We said, we have a really great management team. We've got this opportunity. We've raised a bundle of cash (*intrinsic*). We're going to go and do this. You will, as engineers, learn a lot about two or three very exciting technology areas that we think will be of value to you (our emphasis).

Drawing on their past successes, entrepreneurs could combine symbolic and intrinsic activities in ever more dynamic and complex schemes. For example, as in the case of HOTEL, a new firm could leverage the joining of a prominent board member (acquired resource) and display the prestige of this first board member (symbolic emphasizing) to invite other prestigious figures to join its board (new resource acquisition); these new members, in turn, could facilitate the hitherto unknown venture's access with other prominent companies through both their prestige (symbolic value) and their contacts (intrinsic value). One entrepreneur in the retailing business resolved a catch-22 situation – he needed to find a good location for his planned retail outlet in order to raise funds, and he needed the funds in order to secure the location – in the following way:

When I find the location, what happens is I tell the owner that I have the money and I'm serious. You won't have to deposit a cheque the next day. Then I have to change my business plan because obviously the plan has to be adapted to the new location...You do a little market research, local market research as far as your competitors in the area, the number of employees, etc. Now that you have this information, you put it in your plan and start presenting either to investors you've already presented to and who've said yes, come back to me when you have a location, or to new people if you need more money. So, hopefully the investors say yes. In the meantime I would have negotiated with the owner of the location. We'll end up in some kind of agreement, and then I'll have to sign a promise, but I still do not have to show money at the time. Then I can take the promise, show it to the investor and say I'm serious, so the money comes into my account if all goes well. When it comes when I've done the cheques as far as norms, as far as everything's in line, then I will be able to sign a deposit cheque for the owner.

This complex web of activities carefully combined intrinsic meanings (e.g., the entrepreneur has done thorough market research) and symbolic meanings (e.g., the entrepreneur is convincing, competent, and successful in attracting support). Symbolic actions and meanings were staged deliberately to achieve the simultaneous acquisition of property and cash.

Previous research on organizations has used the notion of momentum in contexts such as: (1) short-term stock-trading strategies that are based on stock-price movements (e.g., Jegadeesh and Titman, 1993); (2) technologies that gain acceptance in the marketplace with some degree of autonomy (e.g., Bijker, 1995); and (3) organizational inertia, or the tendency of organizational activities, structures, and strategies to perpetuate themselves (e.g., Miller & Friesen, 1980). Because organizations are constantly adapting and changing, momentum has been interpreted also as continuity in the direction of change (Dutton & Duncan, 1987).

Our concept of building momentum in acquiring resources is based on these earlier notions. We, too, emphasize the importance of progress and movement. But we extend it by focusing explicitly on what entrepreneurs do to create and maintain momentum. The resources that they attract can become part of a dynamic, self-reinforcing scheme, which is fuelled by increasing success. Interim small gains can accumulate and eventually lead to commercial success (Van de Ven & Garud, 1989). Influencing people through symbolic activities can lead to new resources, and these can be exploited as additional – intrinsic and symbolic – evidence to attract even more resources. Jackson and Hambrick (2003) have found preliminary statistical evidence that supports this idea. Prestigious third parties can yield benefits to small young firms by providing them with access to their other prestigious contacts which can produce a “prestige snowballing” effect.



**FIGURE 1:** Model of Symbolic Emphasizing and Resource Acquisition in Entrepreneurial Ventures

