

## CULTURAL ENTREPRENEURSHIP: STORIES, LEGITIMACY, AND THE ACQUISITION OF RESOURCES

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*We define cultural entrepreneurship as the process of storytelling that mediates between extant stocks of entrepreneurial resources and subsequent capital acquisition and wealth creation. We propose a framework that focuses on how entrepreneurial stories facilitate the crafting of a new venture identity that serves as a touchstone upon which legitimacy may be conferred by investors, competitors, and consumers, opening up access to new capital and market opportunities. Stories help create competitive advantage for entrepreneurs through focal content shaped by two key forms of entrepreneurial capital: firm-specific resource capital and industry-level institutional capital. We illustrate our ideas with anecdotal entrepreneurial stories that range from contemporary high-technology accounts to the evolution of the mutual fund industry. Propositions are offered to guide future empirical research based on our framework. Theoretically, we aim to extend recent efforts to synthesize strategic and institutional perspectives by incorporating insights from contemporary approaches to culture and organizational identity. Copyright © 2001 John Wiley & Sons, Ltd.*

It is a virtual truism that stories of entrepreneurs have long been celebrated in the media, trade circles, professional gatherings, and around the proverbial water cooler. Indeed, the storied annals of American businesses are replete with tales of entrepreneurs and, more recently, the venture capitalists who invest in them (e.g., Lewis, 1999; Stross, 2000). Their lessons are routinely institutionalized and transmitted to future business people through the pedagogy of case study, itself a well-researched narrative. That such stories serve as inspiration for legions of aspiring entrepreneurs is apparent. Less apparent, however, have been the ways in which these stories act as accounts that legitimate individual entrepreneurs to networks of investors, competitors, and vision-

aries, who make resource decisions and take strategic actions based upon what the stories mean to them. Our purpose is to explore this link between entrepreneurial stories and wealth creation. In this conceptual paper, we propose that stories are an integral part of the process by which founders construct new ventures, acquire needed capital, and generate new wealth.

The field of entrepreneurship is centrally concerned with understanding ‘how opportunities to bring into existence “future” goods and services are discovered, created, and exploited, by whom, and with what consequences’ (Venkataraman, 1997: 120). Entrepreneurship research to date, however, has focused on a relatively narrow portion of this rich domain. The balance of attention has been directed towards explicating how business plans, marketing strategies, sponsorship, and personal traits enable entrepreneurs to access and mobilize pools of resources to start new businesses, move into new lines of business, or promote new products, ideas, or processes that create

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wealth (e.g., Hofer and Bygrave, 1992; Schoonhoven and Eisenhardt, 1992; Schoonhoven and Romanelli, forthcoming). Despite the fact that entrepreneurship is 'a context-dependent social process' (Low and Abrahamson, 1997: 435), entrepreneurship researchers have largely neglected the broader social and cultural dynamics that embed start-ups (Aldrich and Wiedenmayer, 1993; Baum and Oliver, 1996; Reynolds, 1992).

Our work seeks to locate entrepreneurship within these cultural and symbolic realms of meaning. Following Scott and Lane (2000: 49), we draw on a general definition of culture as 'an interpretive framework through which individuals make sense of their own behavior, as well as the behavior of collectivities in their society.' While interpretive frameworks exist at multiple levels (e.g., organization and society), we view them as nested in the sense that organizations must cultivate firm-level cultures in ways that resonate with broader societal beliefs or risk problems associated with the lack of legitimacy (Dacin, Ventresca, and Beal, 1999). While we believe that the arguments we forward about storytelling are applicable to intrapreneurs and corporate leaders as well as entrepreneurs, we focus mainly on entrepreneurial story-telling for the sake of parsimony.

Because of the novelty and uniqueness of their ventures (Aldrich and Fiol, 1994), entrepreneurs confront 'problems associated with lack of legitimacy' (Low and Abrahamson, 1997: 436) or external validation (Stone and Brush, 1996). Legitimacy flows from the 'cultural alignment' (Scott, 1995: 45) of, or cultural support (Meyer and Scott, 1983: 201) for, a new venture. In turn, legitimation can enable capital acquisition, as illustrated in this anecdote of the Hotmail entrepreneur, Sabeer:

... Sabeer refuses to give the credit to anything other than the culture of the Valley itself: 'Only in Silicon Valley could two twenty-seven-year-old guys get three hundred thousand dollars from men they had just met. Two twenty-seven year old guys who had no experience with consumer products, who had never started a company, who had never managed anybody, who had no experience even in software—Jack and I were hardware engineers. All we had was the idea. We didn't demo proof-of-concept software or a prototype or even a graphic printed on a piece of paper. I just sketched on Steve Jurvetson's whiteboard. Nowhere in the world could this happen but here.' (Bronson, 1999: 85)

As the story goes, nascent entrepreneurs (Aldrich, 1999: 77) can leverage cultural dynamics to enable beneficial resource flows. Given that most start-ups lack proven track records, obvious asset value, and profitability, stories can provide needed accounts that explain, rationalize, and promote a new venture to reduce the uncertainty typically associated with entrepreneurship (Aldrich and Fiol, 1994).

We propose that stories play a critical role in the processes that enable new businesses to emerge. Stories that are told by or about entrepreneurs define a new venture in ways that can lead to favorable interpretations of the wealth-creating possibilities of the venture; this enables resource flows to the new enterprise. Given that some national market structures and economic contexts such as in the United States, Israel, and Canada have been found to encourage entrepreneurship more than those found in countries such as Denmark, Finland, and France (see Reynolds, Hay, and Camp, 1999), however, we believe that the relationship between entrepreneurial stories and wealth creation may be more easily identified in countries where entrepreneurship is reinforced by the broader institutional structures of a society. Nonetheless, we believe that the ideas put forth are generalizable across contexts even though broader societal factors that inhibit aggregate levels of entrepreneurship in some countries may explain much more variance than the more local efforts of entrepreneurs that we highlight. To foreshadow our conclusions, we propose that stories function to identify and legitimate new ventures, thus mediating between extant stocks of entrepreneurial resources and subsequent capital acquisition and wealth creation. We define this process as *cultural entrepreneurship*.

Figure 1 provides a process model of cultural entrepreneurship that summarizes the causal relationships that we posit. We focus attention on how entrepreneurs must tell stories about their stock of capital in order to identify and legitimate their new ventures; in turn, these stories enable the acquisition of new capital and, ultimately, the generation of wealth. Wealth generation can be assessed by tracking new venture growth, the performance of entrepreneurial ventures, as well as aggregate economic growth and development fostered by entrepreneurship. New venture growth, which may be tracked by the rates by

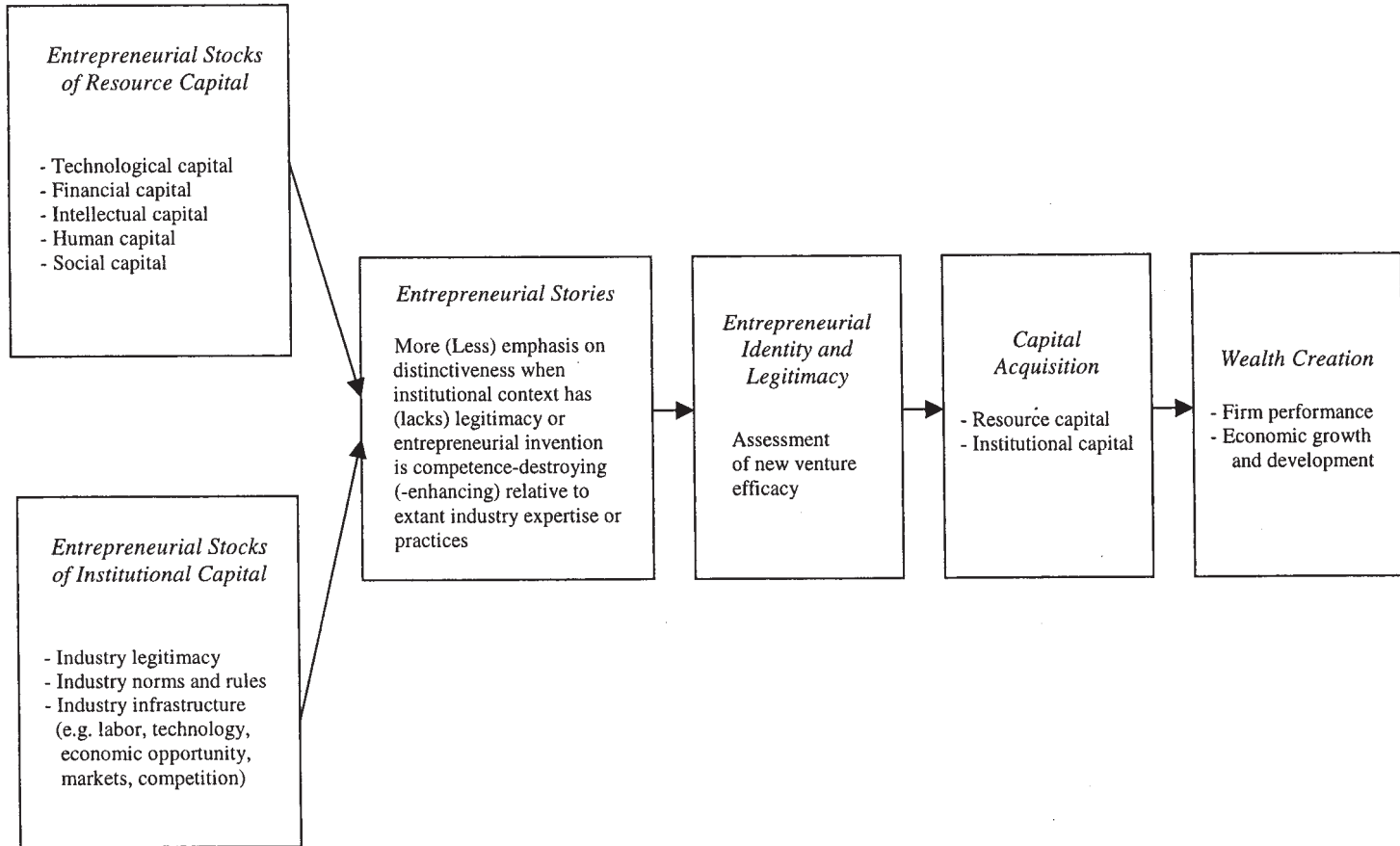


Figure 1. Process model of cultural entrepreneurship

which sales or profits increase, is a common indicator of an entrepreneurial venture's wealth-creating ability. Standard accounting measures such as return on assets or return on equity may be used to gauge new venture performance and changes in gross domestic product taps into overall economic growth.

While our figure is linear in directionality, we recognize that the process of cultural entrepreneurship is a dynamic, recursive one such that, over time, acquired capital and created wealth flow back to affect entrepreneurs' stocks of capital as well as their stories. Our approach necessitates an examination of both the firm and its broader institutional environment, an approach anticipated by Oliver (1997). Combining resource-based views of the firm (Barney, 1991) with institutional theory (Scott, 1995), Oliver argued that sustainable competitive advantage depends on both resource capital, or firm-specific value-enhancing assets and capabilities, and institutional capital, the broader industry influences which can enhance or inhibit optimal use of resource capital.

More specifically, resource capital refers to those firm-specific value-enhancing assets and capabilities (rare, inimitable, tangible, and intangible assets) that shape the fortunes of organizations (e.g., Amit and Schoemaker, 1993; Barney, 1991; Fombrun, 1996; Fombrun and Shanley, 1990; Penrose, 1959; Selznick, 1957; Snow and Hrebiniak, 1980; Teece, Pisano and Schuen, 1997; Wernerfelt, 1984). We view resource capital as a broad category that encompasses a variety of more specific kinds of capital such as technological capital, financial capital, human capital, intellectual capital, and social capital that are important ingredients for the success of both entrepreneurs and established organizations. Following Oliver (1997), we define institutional-level capital as consisting of three main industry-level elements: industry legitimacy, industry norms and rules, and industry infrastructure. Industry legitimacy has to do with the degree to which the products and services offered by organizations in a given industry are accepted as appropriate and useful by broader publics (Hannan and Freeman, 1989; Scott, 1995; Suchman, 1995). Industry norms and rules define what kinds of economic behavior are appropriate and socially acceptable (Scott, 1995). Industry infrastructure consists of the broader set of generalized industry resources

such as a skilled labor force and technology as well as market opportunities that can be drawn on by both extant organizations and new entrants in order to fuel the development and growth of their businesses. Traditional industrial organization factors such as seller concentration and conditions of entry (Caves, 1992; Scherer and Ross, 1990) are included in our concept of industry infrastructure. Taken together, resource capital and institutional capital highlight both the capabilities and context of entrepreneurial action. In arguments that parallel those of Oliver (1997), we argue that both are 'indispensable' antecedents to entrepreneurial stories and affect the acquisition of additional capital and wealth creation.

Our work extends recent efforts to synthesize strategic and institutional perspectives (e.g., Baum and Dobbin, 2000; Lounsbury, Hirsch, and Klinker, 1998; Oliver, 1997; Rao, 1994; Suchman, 1995) by incorporating insights from contemporary theories about culture and the literature on organizational identity in order to guide the study of entrepreneurship. We extend theory in two key directions. First, we map how entrepreneurs leverage culture to legitimate new ventures and advantage subsequent capital acquisition and wealth creation. Second, we respond to calls for theoretical integration (Barney and Zajac, 1994; Shane and Venkataraman, 2000) in our focus on how both resource capital and institutional capital shape the content of entrepreneurial stories that function to identify and legitimate new ventures. We supplement our theoretical discussion with entrepreneurial anecdotes drawn from published sources. These examples were chosen because they illustrate a particular point, not because they provide evidence in support of any of our claims. They simply make vivid processes of cultural entrepreneurship, but they do not provide exhaustive accounts of it. We begin with an overview of stories and their role in identifying and legitimating entrepreneurial ventures.

## **STORIES AS LEGITIMATING ACCOUNTS OF ENTREPRENEURIAL ACTION**

Attention to the dynamics of culture and symbolic activities like storytelling has been limited in the entrepreneurship and strategy literatures. Entrepreneurial research rooted in the discipline of eco-

nomics has ignored the study of culture while that grounded in psychology and sociology has theorized about culture in a very limited way—typically as a set of abstracted beliefs that motivate entrepreneurial actions (Martinelli, 1994; Thornton, 1999). This is partly because culture has been traditionally theorized as a force that constrains rather than enables action. In the field of strategy, researchers have studied the relationship between organizational culture and performance (e.g., Kotter and Heskett, 1992), but have generally neglected meaning-making aspects of culture having to do with identity formation and legitimacy. Contemporary developments in the sociology of culture and cultural studies, however, have conceptualized culture not as a normative imperative that forces conformity to societal expectations, but as a flexible set of tools that can be actively and strategically created and deployed as actors struggle to make sense of the world (e.g., Swidler, 1986).

Reflecting this shift, Rao (1994: 41) argues that, in order to be successful, ‘entrepreneurs become skilled users of cultural tool kits rather than cultural dopes.’ Aldrich and Fiol (1994: 652) hint at the role of culture in entrepreneurship with their contention that ‘founders [of new ventures] who utilize encompassing symbolic language and behaviors will gain cognitive legitimacy more quickly than others.’ The crux of this line of reasoning is that entrepreneurs must be skilled cultural operators who shape interpretations of the nature and potential of their new venture to those who may supply needed resources. A primary mechanism employed in this process, we propose, is that of storytelling.

### Storytelling and the founding of entrepreneurial ventures

Stories are important organizational symbols that use verbal expression or written language (e.g., Martin *et al.*, 1983; Mitroff and Kilmann, 1976; Trice and Beyer, 1993), structured in three time-based structural components—beginning, middle, and end—with transitions and event sequences propelled by plot lines and twists (e.g., Bruner, 1990) and shaped by defining characters. Any story consists of three basic elements: ‘a narrative subject in search of an object, a destinator (an extratextual force, the source of the subjects’ ideology), and a set of forces that either help or

hinder the subject in acquiring the desired object’ (Fiol, 1989: 279). Following this pattern, then, the entrepreneurial story might be structured accordingly: the *narrative subject* as the individual entrepreneur or the new venture; the *ultimate object or goal of the narrative* as a successful new enterprise, profitability, VC funding, or a positive reputation with potential stakeholders; and the *destinator* as the corporate and societal environment in which the narrative subject operates.

Entrepreneurial stories are helpful to potential entrepreneurs, venture capitalists, and other institutional actors (such as investment banks, foundations, innovative organizations, etc.) who need to direct their attention to only the highest-potential opportunities in environments that are ambiguous and cognitively complex (March and Olsen, 1976; Ocasio, 1997) to make future venture funding decisions (Camp and Sexton, 1992). Since many entrepreneurial ventures are unknown to external audiences, the creation of an appealing and coherent story may be one of the most crucial assets for a nascent enterprise. On this point, Aldrich and Fiol (1994: 652) contend that: ‘Given the lack of externally validated arguments, [entrepreneurs] must draw on alternative forms of communication, such as narratives, to make a case that their ventures are compatible with more widely established sets of activities ... narration works by suggestion and identification ... express[ing] reasons to believe.’ In contrast to ‘strategy-as-story’ approaches (e.g., Barry and Elmes, 1997; Ireland and Hitt, 1997), which often try to defamiliarize the familiar, entrepreneurial stories strive to make the unfamiliar familiar by framing the new venture (often through metaphor and analogy) in terms that are understandable and thus legitimate (Salancik and Leblebici, 1988).

Stories make sense of an equivocal situation for both internal and external constituencies (Boje, 1991) because they ‘selectively distill a complex jumble of otherwise ambiguous and contradictory activities, pronouncements, and impressions into a simplified and relatively coherent portrait’ (Ashforth and Humphrey, 1997: 53). Stories create order and objectification because they create ‘an account in a symbolic universe, and thereby endow the account with social facticity’ (Rao, 1994: 31). Thus, a key aspect of stories is their ability to reduce uncertainty, a critical asset that can enable the success of nascent entre-



preneurial ventures. As Aldrich and colleagues have repeatedly noted (e.g., Aldrich, 1999; Aldrich and Baker, 1997; Aldrich and Wiedenmayer, 1993), since entrepreneurship research has historically focused on either the traits of founders or the historical conditions of wealth creation at an abstract level, little attention has actually been paid to the process of entrepreneurial emergence itself.

Even though we believe that the notion of cultural entrepreneurship and a focus on entrepreneurial stories can be usefully employed to shed light on entrepreneurial processes at multiple stages of development, we think it may be particularly useful to researchers interested in the earliest stages of entrepreneurial venture formation that involve complicated and nonlinear processes. At this stage, budding entrepreneurs conceptualize and enact new ideas by seeking resources and support and creating more formal organizational structures (e.g., Gartner, 1988; Katz and Gartner, 1988). Reynolds and White (1997) have shown that there are, on average, approximately 15 months from the time of initial business conceptualization and efforts to actually create a new business, with up to another year passing before the vision is actually concretized into a new venture. We believe that these early moments are particularly critical for identity formation processes because they are highly uncertain and emotionally charged. It is during these periods in which nascent entrepreneurs begin to construct stories that coherently address questions about who they are, why they are qualified, what they want to do, and why they think they will succeed. By the time entrepreneurial ventures gain public recognition, most entrepreneurial identities have been well developed.

A focus on entrepreneurial stories is also well suited for the study of the early moments of entrepreneurial conception and venture formation since it is during these periods when entrepreneurial legitimacy tends to be the most pressing issue. As entrepreneurial researchers have shown, most new entrepreneurs have little access to capital from formal sources like banks or venture capitalists (De Meza and Southey, 1996; Gifford, 1997; Gorman and Sahlman, 1989). In addition, only a fraction (less than half) of a much larger pool of potential entrepreneurial organizations are created between the time of idea conception and the more formal structuring of a fledgling

enterprise (Aldrich, 1999; Katz and Gartner, 1988). That is, the early stages of entrepreneurial venture formation are mainly about establishing legitimacy in order to access resources that can help fuel the development of a fledgling enterprise. In the founding moments of a new venture, then, entrepreneurial stories will tend to fill a cultural void. The objective of such stories is to make the enterprise comprehensible and meaningful in an effort to confront low legitimacy that arises from a lack of performance history and business referents (Aldrich and Fiol, 1994). As we have argued, this process involves the construction of stories that rely on whatever resource and institutional capital that a nascent entrepreneur may access. Based on extant entrepreneurial research, we offer the following proposition:

*Proposition 1: Entrepreneurial storytelling will have its most significant impact on enabling capital acquisition and wealth creation in the emergent or earliest stages of new venture formation, by making the unfamiliar new enterprise more familiar, understandable, acceptable, and thus more legitimate, to key constituencies.*

### **The function and content of entrepreneurial stories**

We view the *function of entrepreneurial stories* as that of crafting identifying and legitimating accounts of entrepreneurial stocks of resource and institutional capital to acquire capital and create wealth. To function effectively, the *content of entrepreneurial stories* must align with audience interests and normative beliefs to enable favorable interpretations of a new venture; we argue that it is extant stocks of entrepreneurs' resource capital and institutional capital that shape the content of stories. In this section, we develop our framework by focusing on the role and nature of stories. Subsequent sections show how the content of stories is shaped by entrepreneurial stocks of resource capital and institutional capital.

We believe that stories, like other cultural artifacts, function to align an entrepreneur's underlying set of cultural mission, identity, and resources with that of key external constituents (Schein, 1992). A well-crafted story about entrepreneurial resources encapsulates the strategic goals and

management of the new venture (Ireland and Hitt, 1997) and indicates why a new venture merits capital investment. Once articulated, understood, and repeated, entrepreneurial stories become institutionalized accounts that provide both explanations of, and rationales for, entrepreneurial activity; in turn, such comprehensibility (or understandability) is the basis for legitimacy (Suchman, 1995).

The functionality of entrepreneurial stories is suggested in those of Jim Clark, 'entrepreneur extraordinaire.' Heralded as the most inventive engineer-entrepreneur of the Internet age, Clark has done what no one else has been able to do: start three technology companies with market values of more than \$1 billion each—Silicon Graphics, Netscape, and Healtheon. His storied feats are recounted in the bestseller, *The New New Thing* (Lewis, 1999). Paradoxically, his identity was a puzzle, as '[t]here was no name for what he did' (Ferguson, 1999: 83). This entrepreneur created—authored—his own story:

... it dawned on Clark that the food chain of capitalism was missing a link, and that, if he summoned the nerve to hoist himself up, he could be that link. And that if he didn't have the nerve to do so he would make a mockery of his entire remarkable climb ... His role in the valley was clear: *he was the author of the story*. He was the man with the nerve to invent the tale in which all the characters—the engineers, the V.C.'s, the managers, the bankers—agreed to play the role he assigned to them. And if he was going to retain his privilege of telling the stories, he had to make sure that the stories had happy endings. (Lewis, 1999: 187; emphasis added)

As this story illustrates, effective narratives resonate with the targeted audience; in other words, a story must have 'narrative fidelity' in order to mobilize action (Snow *et al.*, 1986). And yet, while entrepreneurial stories resemble other impression management accounts, they are distinct nonetheless. Like entrepreneurial stories, impression management stories are concerned with plot, character development, and hoped-for 'happy endings,' as well as positive self-presentation to real and potential stakeholders (Goffman, 1959). When used strategically, identities are often deliberately managed and often

recanted to construe a favorable strategic reputation, defined as 'an external audience's beliefs about an organization's central and distinctive traits ... that give it a competitive advantage over other organizations, particularly in incomplete information settings' (Elsbach and Glynn, 1996: 66). Unlike impression management stories, however, entrepreneurial storytelling emphasizes the construction of a new identity rather than the reconstruction (or repositioning) of an established identity, often in response to strategic opportunities or threats (Elsbach and Kramer, 1996). And, although newly constructed identities seek credibility and legitimacy, they need not always be strategic; identities can be personal or social (Ashforth and Mael, 1996). Said differently, impression management strategies typically involve more consciously devised plans and efforts, while stories about identity tend to be more emergent (Glynn, 2000), particularly at earlier stages of entrepreneurial venture development.

Tales of the entrepreneur, therefore, aim to cue plausibility and build confidence that the enterprise can succeed. Drawing from research on organizational identity (Czarniawska-Joerges, 1994), we propose that there are two basic means by which the content of entrepreneurial stories shape and legitimate the identity of the entrepreneurial enterprise: (1) by emphasizing the distinctiveness of the new venture through a focus on identifying its unique characteristics, and (2) by stressing the normative appropriateness of the new venture by identifying its symbolic congruence with similar organizational forms and ideologies.

The first type of entrepreneurial identity story emphasizes the key attributes that are claimed to be central, distinctive, and enduring organizational characteristics (e.g., Albert and Whetten, 1985). Although the viability and generalizability of these three core identity attributes have been debated by researchers (e.g., Dutton and Dukerich, 1991; Gioia, Schultz, and Corley, 2000), they nonetheless continue to find widespread use and acceptance (see, for instance, reviews in Whetten and Godfrey, 1998, and Whetten, 2000). Of particular relevance for the study of cultural entrepreneurship is that these identity attributes seem to be a viable way of describing strategic behavior (e.g., Peteraf and Shanley, 1997). This attribute-based approach to identity is perhaps most consistent with resource-based perspectives

in the strategy literature that exhort organizations to identify and exploit what is distinctive, unique, and valuable in developing competitive advantage (Barney, 1991). An organization's 'dominant logic' (Prahalad and Bettis, 1986) or 'strategic frame' (Huff, 1982) serves as a unifying imperative for developing complementary assets and skills around core competencies (Prahalad and Hamel, 1990), thus lending organizations distinct and competitively differentiated identities.

A second type of entrepreneurial identity story emphasizes relational aspects or how the new venture can be located within already legitimated and distinct membership groups, defined by industry, sector, life cycle, or other categories (e.g., Elsbach and Kramer, 1996). This type of story shifts the locus of identity from the organizational level of the entrepreneurial venture to that of the interorganizational, industry, or field level in which the new venture seeks to be perceived (e.g., Czarniawska and Wolff, 1998). Thus, the purpose is to align entrepreneurial identity appropriately with institutionalized rules, norms, and practices from which legitimacy flows. Thus, these entrepreneurial stories tend to emphasize symbolic congruence and stress the positive features of the particular industry to which they belong rather than the uniqueness of their own enterprise. Based on these arguments, we offer three propositions about how entrepreneurial stories facilitate the construction of new venture identity and legitimacy:

*Proposition 2: To construct an identity that legitimates a new venture, entrepreneurial stories must have narrative fidelity and resonate with the expectations, interests, and agendas of potential stakeholders.*

*Proposition 3: To construct an identity that legitimates a new venture, entrepreneurial story content must consist of claims that emphasize a core, distinctive, and enduring set of attributes, capabilities, and resources that lend strategic distinctiveness and competitive advantage.*

*Proposition 4: To construct an identity that legitimates a new venture, entrepreneurial story content must make claims that emphasize the enterprise's relationship to, and membership in, industry categories that are aligned*

*with cultural understandings, norms, and beliefs about what is appropriate and normative.*

In constructing a legitimate identity for their enterprises, we believe that entrepreneurs strive for 'optimal distinctiveness' (Brewer, 1991); that is, to balance the need for strategic distinctiveness against that of normative appropriateness (Glynn and Abzug, 1998) and other industry-level structural factors that may cause organizations to become more homogeneous (Caves, 1992; Scherer and Ross, 1990). Entrepreneurs and top managers seeking to shape the identity of their organizations must, therefore, be able to astutely assess the degree to which stressing sameness or distinctiveness will lead to the acquisition of resources and wealth creation. The ability to understand and interpret the context within which actions are taken, however, may be quite variable. Given the formal training and organizational resources available to most top managers, for instance, we may expect organizational leaders to be able to scan and diagnose environments better than first time entrepreneurs who may tend to focus more narrowly on their business invention as opposed to the overall entrepreneurial context. Notwithstanding such variance, the challenge of balancing the needs for difference and similarity has obvious complementarities to the dual tension highlighted by Oliver (1997) between resource-based views that emphasize a firm's unique configuration of resources and institutional perspectives that highlight pressures towards conformity. We next turn to these arguments and their impact on entrepreneurial story function and content.

## ENTREPRENEURIAL CAPITAL AS THE FOUNDATION FOR STORIES

More than simply making identity claims, entrepreneurial stories that succeed in attracting investors often reflect the stocks of capital controlled by the entrepreneur. Previously, we noted two distinctive perspectives on identity stories—firm-specific configurations of attributes and firm-relatedness to field-level classifications—and noted their correspondence to resource-based views of the firm (Barney, 1991) and the institutional analysis of organizations (Scott, 1995). Drawing from these same two theoretical perspec-



tives—strategic management and institutionalism—Oliver (1997) crafted a framework that combined insights from both perspectives to explain how firms attain sustainable competitive advantage. We extend her framework by focusing on how entrepreneurial stories function to translate a new venture's existing stock of resource and institutional capital into entrepreneurial identities, new venture legitimacy, and subsequent resource flows. In the next two sections, we advance ideas about how these different forms of capital shape the content of entrepreneurial stories and impact their effectiveness with audiences they seek to influence.

### Stories and resource capital

Since entrepreneurial ventures seek to generate new wealth, entrepreneurs engage in efforts to identify resources and opportunities that are, as yet, undiscovered or underexploited by others. While new wealth can be generated by entrepreneurial ventures that may vary in their degree of novelty, ranging from ventures that offer inventions that are extremely unique to those offering inventions or innovations that represent incremental advancements in extant product markets, all entrepreneurs engage in resource-picking in an effort to create economic rents for their ventures. This resource-picking involves the purchase of resources that are undervalued or overlooked, effectively outsmarting the market (e.g., Barney, 1986). In an elegant mathematical derivation, Makadok (2000) demonstrated that the greater a firm's resource-picking advantage, the higher its expected profit.

The content of entrepreneurial stories must not only advertise resource capital and resource-picking capabilities, but also demonstrate relevance and value to related resources, such as extant and anticipated technologies, organizational configurations of capabilities, and market needs. This establishes the basis of valuation for a firm's resource capital as well as the competitive distinctiveness of the entrepreneurial venture; one without the other would decrease the attractiveness of both to potential investors. In addition to tangible resource capital, entrepreneurial stories can be shaped by intangible resource capital. For example, a critical intangible resource that can shape entrepreneurial stories is that of the founder's vision, which is 'the system of beliefs and

language which give the organization texture and coherence' (Pettigrew, 1979: 577). For the vision of a founder or leader to become an effective resource, however, it must be embedded in 'the very fabric of the organization—into goals, strategies, tactics, policies, processes, cultural practices, management behaviors, building layouts, pay systems, accounting systems, job design—into *everything* that the company does' (Collins and Porras, 1994: 201). A key mechanism by which visions get enacted and built into various aspects of the organization is storytelling (Weick, 1979, 1995). Pettigrew (1979), for instance, showed how the communication of an organization's vision explicitly through stories was a critical force in the founding of a British boarding school.

Although there is a nearly infinite list of tangible and intangible resources that can provide the basis for story content to signal new venture distinctiveness and competitive advantage (e.g., people, patents, products, technologies, processes, visions), we focus attention on resources that emphasize a firm's credibility to potential stakeholders. The basis of such credibility in stories is fidelity (Snow *et al.*, 1986), or resonance with the beliefs of the target audiences. Thus, stories must be constructed in such a way that key gatekeepers who control resource flows, such as venture capitalists and investment bankers, perceive the credibility of the story line and the storyteller. Gatekeepers judge the credibility of stories by assessing tangible data about the resource and institutional capital possessed by entrepreneurial ventures as well as using their intuition to decipher whether the entrepreneurs in charge of such capital have the capacity to succeed in their efforts.

Because entrepreneurial accounts are often constructed in alignment with embedded beliefs, stories cannot be interpreted outside of the social structure within which the new venture is embedded. As White (1992) has argued, stories are the vehicles by which network structures are modified and reproduced. Even though new entrepreneurial enterprises often promote distinctive products and services that promise to transform some aspect of society or economy, the gatekeepers that judge the credibility of those claims are typically part of a durable social structure that processes entrepreneurial requests in relatively routine ways (Eccles and Crane, 1988). Routines embedded in social structure help to provide standards for

judging tangible data as well as assessing the capabilities of entrepreneurs.

We argue that entrepreneurial stories must celebrate the unique stock of resource capital embedded in a new venture while balancing the distinctiveness of these assets against broader contextual pressures to conform to stakeholder expectations. A key challenge for entrepreneurial stories, therefore, is to establish a unique identity that is neither ambiguous nor unfamiliar, but legitimate (Suchman, 1995). Hence, in an effort to gain legitimacy, the content of entrepreneurial stories often focuses on the forms of resource capital that signal how a new venture fits within a particular institutional milieu.

For example, investment bankers and securities analysts play an important gatekeeping role in determining whether and when new ventures will be able to go forward with an initial public offering (IPO) and the extent to which those IPOs will be successful in attracting the interest of institutional investors. In order to gain the attention (Ocasio, 1997) of such gatekeepers, entrepreneurs need to be able to signal their credibility, often by having the right social connections to key venture capitalists, investment bankers and investors that shape capital formation for new firms.

For first time entrepreneurs who lack a history of proven success, formal credentials, awarded by recognized accreditation bodies or other third parties that are viewed as neutral and objective, are often sought. For instance, Rao's study (1994) of the early years of the automobile industry demonstrates how legitimacy for start-up organizations can accrue from 'certification contests,' which mapped and compared the performance competencies of organizations. He notes how performance reliability and speed contests served as credentialing devices that 'legitimate organizations, generate status orderings, and create favorable reputations' (Rao, 1994: 29). For claims to be made about such credentials, however, such credentials must be viewed as legitimate by competitors, customers, investors, and other relevant stakeholders. That is, such credentials must enable comparative judgments to be made about the efficacy of one venture versus another.

To gain such credentials, new ventures must first be recognized as viable entities by certification gatekeepers. In the case of the early automobile industry, for example, automotive

entrepreneurs had to know other automobile hobbyists and contest organizers who decided which cars would be able to compete in speed contests. Similarly, entrepreneurs promoting novel high-technology products need to convince product review editors at key trade journals that their products are worthy of the time and energy it takes to test and evaluate. Since product review editors are constantly bombarded by requests from both entrepreneurial and established companies, it is important for entrepreneurs to get to know these editors personally. These social connections that enhance an entrepreneur's social capital are often cultivated at trade shows and via third-party brokers who already have established relationships with key product review editors.

As Barney (2000) has noted, resources and capabilities that can be sources of sustained competitive advantage include socially complex resources having to do with network ties and position. Featuring prominent social connections and endorsements in stories, therefore, is another important way in which entrepreneurs go about achieving legitimacy. A recent story about Transmeta, a Silicon Valley high-technology start-up that is designing a microprocessor, highlights the strategic invocation of network connections:

Speculation has been rife for the last couple of years about the nature of the company ... some reports have speculated in jest that the company is using alien technology ... It was formed in 1995 ... and is funded by *Microsoft cofounder Paul Allen* ... *Dave Ditzel*, an architect of early processors at *AT&T's Bell Labs*, and *Linus Torvalds*, the Finnish engineer who pioneered the *Linux* operating system. (Crothers and Shankland, 1998: web journal; emphasis added)

The development of stories that highlight affiliations with renowned and successful entrepreneurs (Paul Allen, Dave Ditzel, and Linus Torvalds) and their organizations (Microsoft, Bell Labs, and Linux) signals credibility about the entrepreneurial venture. In a sense, people like Allen, Ditzel and Torvalds provided an invaluable kind of resource capital that can pave the way for legitimacy and subsequent access to resources. As the story goes: *if Paul Allen supports it, it must be good*. The value of such connections has been recognized by *Fortune* magazine (26 June

2000: 104); *Transmeta* is identified in the Year 2000 list of *Fortune's* Cool Companies, as among a dozen start-ups most likely to succeed.

Establishing credibility by 'borrowing' reputations can be understood as an attempt to define an organization relative to a social structure, network of relationships, and/or elite ties (Nahapiet and Ghoshal, 1998). In a sense, this serves as a signal as to how a new venture fits into existing social structures. Venkataraman (1997) notes that there is considerable evidence that entrepreneurs employ social forms of resource capital, particularly in the early stages of a venture. Such resource capital, in turn, serves as a cue that can replace objective facts or performance data, particularly when outcomes are ambiguous or uncertain, as is the case for entrepreneurs. Resource capital derived from membership in elite interpersonal and organizational networks, or social capital, can confer resources and legitimacy, enhance status and reputation, and help firms advance their goals (e.g., Baum and Oliver, 1992, 1996; Burt, 1992; D'Aveni and Kesner, 1993; see Leenders and Gabbay, 1999, for a review).

While it is important to have a product or service that is competent in order to gain such credentials and legitimacy, our argument is that competence may not, on its own, naturally lead to the attainment of such credentials. At a more general level, entrepreneurs must cultivate relationships with high-status elites who can highlight how that venture fits with existing institutional structures. As Baum and Oliver (1992) have shown, social connections between day care organizations and surrounding institutions in Toronto provided a survival advantage over day care centers that lacked such linkages. Hence, having the right social connections can lead to important competitive advantages.

Following White (1992), we believe that the establishment of such social ties requires the construction of an appropriate identity through storytelling. In turn, such connections help to gain the attention of important gatekeepers such as product review editors, contest organizers, as well as key investment bankers, venture capitalists, and other investors. Unlike connections between established organizations and field-level organizations such as professional and trade associations that lead to isomorphism across existing organizations (Oliver, 1997), connections between entrepreneurs and their

institutional environments can be much more variable, leading to more rather than less heterogeneity among new entrepreneurial ventures.

For entrepreneurs who are fortunate enough to have the luxury of past successes, their credibility as storytellers may considerably enhance the prospects of a new venture. The case of Jim Clark referenced earlier provides an apropos example. By the time he sought venture capital for this third start-up, Healtheon, Clark's previous track record of success credentialed his newest venture:

Not long after Clark drew the Magic Diamond with himself at the center of the American health-care industry, he went to see the venture capitalists. The venture capitalists advertised themselves as the great financial risk-takers of Silicon Valley, but you could learn everything you needed to know about their attitudes toward risk simply by driving up Sand Hill Road. Sand Hill Road was where the V.C.'s clustered together for safety, like ducks in a park waiting for the bread crumbs to fall. Each time Clark made this trip the ducks came out of it worse than the time before—the price of the crumbs rose, and they had to quack louder for them. (Lewis, 1999: 101)

Hence, as Clark became an ultra-successful entrepreneur, he became revered—a darling of the venture capitalist community, high-tech entrepreneurs, and the media that iconize such talent. In turn, the allegory diminishes the power of the gatekeepers (VCs), reducing them, metaphorically, to those of fowl quacking for crumbs. In Clark's case, while his proposed technologies contributed to the venture's distinctiveness, his track record as an entrepreneur lent credibility to his new stories about Healtheon, providing legitimacy to that enterprise and enabling resource infusions.

At a more general level, the Clark example highlights the importance of human capital or the skills and abilities of the entrepreneur. Despite the fact that research on the personal traits of entrepreneurs has been widely proclaimed to be a dead end (e.g., Aldrich and Wiedenmayer, 1993; Gartner, 1988; Martinelli, 1994), the success of particular individuals who have been able to strike it rich is continually celebrated. For example, Michael Lewis argues that:

Well, 'The New New Thing' is the expression I use for, you know, an idea or a technology that's sort of poised on the brink of popular acceptance, and all it needs is a little shove from somebody to get going. You know, the Internet was that way in 1995 when Clark, you know, created *Netscape*.

That it's—it's that thing that all it requires is muscle from the right guy to get going. And the valley, you know, specializes in finding the new new thing, you know, sort of inventing the future. They have an expression in the valley that—they say that the best way to predict the future is to invent it. (Tucker, 1999: radio broadcast)

A story perspective moves research beyond a focus on the hard-wired psychological traits of individuals and towards the cultural processes that lead particular individuals cum entrepreneurs to be constructed as talented, charismatic leaders that are viewed as providing the energy that can propel an idea to success.

While the potential variety in the kinds of resource capital that can be used to provide distinctiveness are catalogued elsewhere (see Barney, 1991), here we highlight three specific forms of resource capital—the credentialing and high status network connections of an entrepreneur/enterprise that contribute to social capital, and an entrepreneur's track record that contributes to human capital—that illustrate how resource capital can shape entrepreneurial stories. In turn, we claim that entrepreneurial stories that are able to credibly express distinctiveness in a consistent and coherent way will tend to facilitate the legitimization of a new venture and open up access to new kinds of resources. We summarize our arguments about stories and resource capital in the following propositions:

*Proposition 5: Tangible and intangible resource capital (patents, credentials, innovations, ideas, key personnel, social connections, etc.) provides key content for entrepreneurial stories that identify, legitimate, and enable resource flows to new entrepreneurial ventures.*

*Proposition 5a: Entrepreneurial stories whose content signals a venture's credibility to exter-*

*nal stakeholders (credentials obtained by neutral third parties) will enable new ventures to gain legitimacy more easily and acquire a greater amount of resources.*

*Proposition 5b: Entrepreneurial stories whose content emphasizes connections between the entrepreneurial venture and its institutional environment in the form of reputable third-party endorsements by well-regarded entrepreneurs or by affiliation with prestigious elites will enable new entrepreneurial ventures to gain legitimacy more easily and acquire a greater amount of resources.*

*Proposition 5c: Entrepreneurial stories whose content emphasizes an entrepreneur's successful track record or prior performance history will enable new entrepreneurial ventures to gain legitimacy more easily and acquire a greater amount of resources.*

### Stories and institutional capital

Institutional analysts in organizational theory have forcefully argued that firm behavior is shaped by broader cognitive, normative, and regulatory forces that are supported and enforced by powerful actors such as governmental agencies, professions, trade associations, and interest groups (DiMaggio and Powell, 1983). More generally, 'institutionalists remind us that no organization can be properly understood apart from its wider social and cultural context' (Scott, 1995: 151). For entrepreneurship researchers, the institutional perspective is important because it draws particular attention to how the broader interorganizational context defines what kinds of opportunities are available to prospective entrepreneurs. In order to tell a successful entrepreneurial story that can legitimate a new venture, entrepreneurs must be very skilled in assessing the broader institutional context within which they are embedded and weaving it into their tale.

Institutional and population ecology analyses of industry development processes have provided systematic knowledge about the relationship of entrepreneurship to industry context, although the main focus has been on the development of industry-level as opposed to firm-level legitimacy (Aldrich and Fiol, 1994; DiMaggio and Powell, 1983; Hannan and Freeman, 1989). Population



ecologists, for instance, have argued that in the formative moments of an industry, when a new set of products and services is offered, failure rates of entrepreneurial start-ups may be high because the new offerings are unfamiliar to consumers (Stinchcombe, 1965). Increasing legitimacy in the early development of an industry, however, is asserted to increase density (the cumulative number of organizations in a population or industry) by enabling increases in the founding rates of organizations (Aldrich and Wiedenmayer, 1993; Carroll and Hannan, 1989). Institutionalists have tended to focus on prevalence as an indicator of institutional isomorphism (Scott, 1995; Knoke, 1982), which, in turn, legitimates (Deephouse, 1996). Despite the fact that there is a general consensus about how industry-level legitimacy facilitates new organization creation, there has been little investigation of the mechanisms by which legitimacy is attained (e.g., Ruef and Scott, 1998; Tolbert and Zucker, 1996; Zucker, 1989).

To direct energy towards the study of these processes, institutionalists have suggested that content analyses of media or news sources may be particularly fruitful (e.g., Baum and Powell, 1995; Hybels, 1994; Ruef, 1997; Schneiberg and Clemens, forthcoming). Baum and Powell (1995: 530), for instance, argue that 'detailed archives of media coverage exist for many industries, and content analyses of these public records offer a potentially powerful technique for operationalizing legitimization.' In one of the few attempts at measuring industry-level legitimacy processes, Hybels (1994) demonstrated the power of media-based content analysis by showing how positive media coverage was correlated with the foundings of U.S. biotechnology firms. This points to the notion that positive media coverage of an industry provides generalized institutional capital that individual entrepreneurs can draw on to facilitate their efforts to create new organizations. But that industry-level focus tells us little about which firms are able to benefit more from such processes than others. Nonetheless, such positive industry stories may highlight that the potential for successful entrepreneurial activity exists while also helping to stimulate the financing of new ventures (Aldrich and Fiol, 1994).

Since our focus is on how identity stories legitimate new firms, we build on institutional analyses of populations and fields to argue that

particular entrepreneurial identity stories may vary in relation to the legitimacy of the broader institutional or industry context within which entrepreneurs act. Based on recent efforts to synthesize institutional and ecological perspectives on organizations (Baum and Oliver, 1992, 1996; Dacin, 1997; Hannan and Freeman, 1989; Havesman and Rao, 1997; Scott, 1995), we posit that in the formative moments of an industry, when entrepreneurship involves the emergence of a unique practice or technological innovation, the content of entrepreneurial stories will emphasize the advantages of new industry practices as opposed to the distinctiveness of specific firms. One of the main problems that firms face in developing a completely new product market is that knowledge and information about the operation and use of the new product is scarce and highly concentrated in the minds of the innovators (Hayak, 1945; Venkataraman, 1997).

One of the main challenges of cultural entrepreneurs at the forefront of a potentially new industry is to gain public acceptance of a new invention while also transforming idiosyncratic knowledge into generalized knowledge that can be used by a broad set of actors in society (Kirzner, 1985; Zelizer, 1979). Industry legitimization, the outcome of these efforts, provides the necessary foundation for the conversion of inventions into profit-making opportunities and wealth creation (Aldrich and Fiol, 1994). Alternatively, entrepreneurs in a more mature industry that is already legitimated will tend to develop stories whose content emphasizes their firm's distinctive identity.

The early rise of the mutual fund industry highlights one aspect of these theoretically informed claims about identity stories—how entrepreneurial firms have to band together to fight for industry-level legitimacy. Mutual funds, or open-end investment companies, emerged amidst an investment company boom in the late 1920s. Most of the investment companies at that time were closed-end companies started by investment banks. The losses that many consumers of closed-end funds experienced led to a general loss of legitimacy for investment companies. While mutual funds were a marginal product in the 1920s and 1930s, investment company entrepreneurs began to collaborate amidst the stock market crash and through the 1930s and 1940s in an effort to regain legitimacy for their



business by focusing on mutual funds. In 1933, for instance, *Incorporated Investors* told stories through advertisements that emphasized the value of investing in the stock market:

Is another OPPORTUNITY getting away from you? CYNICISM, fear, charts have prevented many *investors* from making fortunes. For after all, any big money that has ever been made in America has been made through ownership of American business. Common stocks represent that ownership—and overwhelmingly that ownership remains constant ... To own shares of Incorporated Investors is to be a partner in the growth and profits of America. (in Grow, 1977: 269)

This advertisement, highlighting the benefits of stock market investing as well as mutual funds as a way to invest in stocks, was typical for mutual fund entrepreneurs in the 1930s (Grow, 1977). Such stories were aimed at both building up demand for the industry's products and services while also cultivating a broader base of support and acceptance. Not all entrepreneurs, however, face problems of industry-level legitimacy. For instance, the contemporary emergence of e-commerce and Internet entrepreneurship (or netpreneurship) has ushered in a seemingly endless creation of new dot-com companies that are eagerly promoted by venture capitalists, investment bankers, established technology companies and other investors. While this may turn out to be a fad (Abrahamson, 1991) or speculative bubble (Abolafia and Kilduff, 1988), these new netpreneurs certainly do not lack the legitimacy that mutual funds faced in the early 1940s. Internet entrepreneurs do not expend energy on creating stories to legitimate the Internet itself since society and financial gatekeepers have already bought in.

The example of Internet entrepreneurship, since it arguably may be thought of as entrepreneurship in a nascent industry, raises questions about whether the distinction between a nascent and mature industry is always associated with a shift from relatively less to relatively more legitimacy. As evidenced recently in the tobacco industry, legitimacy challenges can certainly occur in more mature industries, leading to collective action on the part of tobacco companies to save the industry. Also, not all nascent industries face legit-

imacy problems to the same extent. For instance, industries that generate debates about their moral appropriateness, such as the tobacco industry, may face particularly adverse circumstances that may be difficult to overcome. Other contemporary examples include the toxic waste disposal industry, the nuclear power industry, biotechnology (especially in Germany), online pornography, and family planning clinics (Aldrich, 1999: 248).

An understanding of the conditions under which entrepreneurial stories will focus on distinctiveness is further extended by research on competency-destroying and competency-enhancing inventions (Anderson and Tushman, 1990). Competence-destroying inventions involve quantum leaps in technological development that cause a great deal of upheaval among extant organizations that do not have the new expertise or capacity to adapt. Competence-enhancing inventions involve fairly routine developments that contribute to incremental advances in a particular field or industry (Abernathy and Clark, 1985). The vast majority of entrepreneurs engage in competence-enhancing inventions vs. competence-destroying inventions, making the majority of entrepreneurial ventures nondistinguishable from extant firms (Aldrich and Kenworthy, 1999). We argue that entrepreneurs that engage in competence-enhancing inventions will have to craft identity stories that highlight how they fit into or complement extant industry practices so that relevant industry actors and stakeholders interpret the new invention as sensible and worthy of attention. On the other hand, entrepreneurs that offer competence-destroying inventions will have to develop identity stories that highlight their distinctiveness in order to gain attention and to convince potential investors and other audiences that their invention is progressively unique and will lead to new wealth creation.

The story of Apple Computer and the creation of the personal computer provides an illustration. Apple Computer was created in 1976 by Steve Jobs and Steve Wozniak in the Jobs family garage in Los Altos, California. By the end of 1980, Apple Computer had 'set off a computing revolution that drove the personal computer (PC) industry to \$1 billion in annual sales ... Apple quickly became the industry leader' (Kwak and Yoffie, 1999: 1–2). In an effort to promote their competency-destroying technology, Jobs emphasized

Apple's vision to 'change the world through technology.' This vision became expressed in the development of user-friendly computers that anyone could use and was widely touted in the stories told by Apple. The development of the PC was truly revolutionary since extant computer usage tended to be restricted to computer technicians who had mastered the operations of main-frame computers. While Apple would soon encounter problems as a result of competition from IBM and related nonproprietary PC architectures, Apple's initial success was driven by the development of a competence-destroying technology coupled with the construction of an entrepreneurial story about how Apple's innovation would transform the world. The success of this story enabled Apple to obtain needed resource capital and helped to cultivate a deeply loyal customer base. It also fueled the creation of a new product market.

Extrapolating from theory and practical illustrations, we propose that, for entrepreneurs to gain legitimacy, their stories of identity need to account for the conditions under which they should focus on competitive distinctiveness or industry legitimation. Said another way, while it is clear that entrepreneurs need to accumulate resource capital and construct identity stories in a way that emphasizes the unique capabilities of a venture, entrepreneurs must also be skilled in assessing what the broader institutional environment establishes as appropriate or credible. The extent to which legitimacy is related to industry life cycles, however, is best viewed as an empirical question. Our arguments about how stories are shaped by institutional capital lead to the following two propositions:

*Proposition 6: The content of entrepreneurial stories will focus relatively less on establishing a venture's distinctiveness when the industry context within which the entrepreneur is embedded lacks legitimacy or the entrepreneurial invention being offered is competence-enhancing relative to extant industry expertise or practices.*

*Proposition 7: The content of entrepreneurial stories will focus relatively more on establishing a venture's distinctiveness when the industry context within which the entrepreneur is embedded has been legitimated or the entre-*

*preneurial invention being offered is competence-destroying relative to extant industry expertise or practices.*

## IMPLICATIONS AND CONCLUSIONS

A key implication of this paper is that entrepreneurs need to learn to become skilled cultural operatives who can develop stories about who they are and how their resources or ideas will lead to future benefits for consumers and society. We have argued that for entrepreneurs to gain legitimacy and access to resources, stories must be astutely constructed. In constructing an entrepreneurial story, however, it is important to balance the need for legitimacy by abiding by societal norms about what is appropriate with efforts to create unique identities that may differentiate and lend competitive advantage. The extent to which these imperatives should be balanced, however, may vary over the life course of a firm and industry.

We have argued that the study of entrepreneurship and strategic management can be advanced through a focus on cultural processes and through the development of a more integrative framework that involves combining the insights of theoretical perspectives such as the resource-based view of the firm, the institutional analysis of organizations, and organizational identity (e.g., Oliver, 1997; Rao, 1994). While entrepreneurship researchers have lamented the lack of a theory about entrepreneurship (e.g., Shane and Venkataraman, 2000), the study of entrepreneurship can clearly contribute to our understanding of strategic process, the evolutionary dynamics of industries, and more generally, to economic development and wealth creation. While there are obvious connections that can be made between the processes by which entrepreneurs mobilize resources and resource-based views in strategy, relatively little attention has been paid to the cultural dimensions by which entrepreneurs or firm leaders seek to establish their identity and gain legitimacy for their enterprises (Scott, 1995).

For strategy researchers, we believe that a focus on entrepreneurial stories can help to develop further linkages to organizational theory (Barney and Zajac, 1994). As we have argued, we think that it would be particularly fruitful to

develop empirical projects that investigate the relationship between resource capital and institutional capital (Oliver, 1997). We believe that we have contributed to the conceptual elaboration of resource capital and institutional capital by focusing attention on the processes by which they are created and how they may interact temporally. By focusing on legitimization process, our work also responds to calls for researchers to attend to a broader set of intangible, knowledge-based resources that affect competitive outcomes (e.g., Mosakowski, 1998).

Further, we believe that the ideas presented here may be generally applicable to established organizations as well as entrepreneurial ventures. That is, storytelling is not unique to the processes by which entrepreneurial ventures or industries gain legitimacy, but is a prevalent part of all organizational life (e.g., Barry and Elmes, 1997; Ireland and Hitt, 1997). While legitimacy has often been discussed as an organizational end in itself by institutional theorists (Tolbert and Zucker, 1996), a focus on cultural entrepreneurship and identity stories redirects attention towards the study of legitimacy as a process where organizations continually make and remake stories to maintain their identity and status. These efforts importantly complement and extend other strategic efforts by firms that focus on gaining and sustaining competitive advantage (Barney, 2000).

Taking this a step further, processes having to do with cultural entrepreneurship are also relevant for intrapreneurs within organizations (Pinchot, 1985). For example, individuals or units that have new ideas or inventions that may eventually lead to the development of new products or business lines must be able to marshal support and garner resources within a firm to bring their forward-looking efforts to fruition. This requires the construction of effective stories that are rooted in an intrapreneur's extant stock of resource and institutional capital. In constructing stories about their innovative ideas or inventions, intrapreneurs rely on their accumulated resource capital such as their own skills and abilities, or human capital, as well as their social connections to key gatekeepers within the firm, or social capital. The success of their stories, however, will be conditional upon their stock of institutional capital. The intraorganizational correlate of institutional capital has to do with an organization's culture

that delimits what kinds of projects are appropriate and receive funding as well as the overall legitimacy of that organization within its industry.

While we have highlighted how entrepreneurial identity stories can be tracked, in part, by focusing on media stories or company advertisements, it is important to note that researchers interested in cultural entrepreneurship must be cautious of the potential correlation between observed stories and entrepreneurial resources. For instance, the more successful or visible a particular venture is, the more it will become the object of media attention. Similarly, the more resources a company has, the more it will be able to develop elaborate and visible marketing campaigns, including advertisements.

To study the construction of entrepreneurial stories, however, we suggest that it may be useful to draw on field-based analytical strategies in addition to the archival research of media sources since stories in the media may be biased towards entrepreneurial successes (Stewart, 1998). We believe that detailed ethnographic studies of entrepreneurs at early conception stages are necessary in order to understand how some entrepreneurs are able to make it to the stage of formal organizational creation while others fall by the wayside. We assert that processes of cultural entrepreneurship may be a particularly key element in revealing what separates potential 'winners' from 'losers.' While we have developed a series of propositions in this paper that highlight how resource and institutional capital shape the construction of entrepreneurial stories, a more ethnographic approach to entrepreneurial stories will help us understand more about how cultural entrepreneurship enables subsequent capital acquisition when entrepreneurs have little resource or institutional capital. Stories may be an important independent mechanism enabling resource acquisition at the early stages of a new venture conceptualization, but may be much more reflective of, and interdependent with, an entrepreneur's resource and institutional capital at stages where the new venture has become more legitimate and publicly recognized. More grounded studies of early entrepreneurs will facilitate the generation of theoretical knowledge about the causal relationship between entrepreneurial stories and resources.

Attention to cultural entrepreneurship is especially important because entrepreneurial sto-

ries or claims about firm distinctiveness may be decoupled from the objective benefits of resource and institutional capital. A key challenge for research on entrepreneurial stories is to tease apart the extent to which stories are independent from the stock of capital to which an entrepreneur has access. That is, empirical analysis of entrepreneurial stories cannot assume that resource claims are transparent or 'true' since entrepreneurial accounts about their stock of capital may be inaccurate or even intentionally misleading. We speculate that entrepreneurial stories that lack veracity may affect the success of the venture and its capability to generate wealth; longitudinal research that assesses the impact of story veracity merits empirical investigation.

In conclusion, we believe that a focus on cultural entrepreneurship has the potential to contribute to the development of a more comprehensive theoretical synthesis that crosses the fields of strategy, entrepreneurship, and organizational theory. While the study of cultural processes has been central to institutional and identity researchers in organizational theory, it has been somewhat backgrounded in entrepreneurial and strategy research. At the same time, institutional and identity approaches to organizations can benefit greatly by better accounting for processes on which resource-based researchers focus. We believe that bringing institutional, identity, and resource-based views together through the study of entrepreneurial storytelling can usefully inform our understanding of how new as well as already existing firms acquire resources and create wealth.

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