RICAFE 2

Working Paper No. 029

How Entrepreneurs use Symbolic Management to Acquire Resources?

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June 2006

RICAFE2 - Regional Comparative Advantage and Knowledge Based Entrepreneurship

A project financed by the European Commission, DG Research
under the 'Citizens and governance in a knowledge-based society' (FP6) programme
Contract No : grant CIT5-CT-2006-028942.

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2 June 2006

[†] Both authors contributed equally to this article. We gratefully acknowledge financial support from the Rudolf and Valeria Maag Fellowship in Entrepreneurship and the Kolendorf Fund for Entrepreneurship at INSEAD. Funding from the European Commission (grant number CIT5-CT-2006-028942) as part of the project Regional Comparative Advantage and Knowledge-Based Entrepreneurship (RICAFE2) is gratefully acknowledged. We would like to thank ASQ's Associate Editor and three anonymous reviewers for their very helpful comments, and Wendy Smith, Marie Françoise Piquerez and Martina Saada for valuable research assistance. Any errors are our own.

How Entrepreneurs Use Symbolic Management to Acquire Resources

Abstract

From a two-year inductive field study, we find that entrepreneurs are more likely to acquire resources for new ventures if they perform symbolic actions. We identify four symbolic action categories that facilitate resource acquisition: conveying the entrepreneur’s personal credibility, professional organizing, organizational achievement, and the quality of stakeholder relationships. Our data show that entrepreneurs who perform a variety of symbolic actions from these categories skillfully and frequently obtain more resources than those who do not. We theorize how the various symbolic action categories shape different forms of legitimacy, and we propose several factors that moderate the relationship between symbolic management and resource acquisition.

NON-TECHNICAL SUMMARY

The acquisition of essential resources for an entrepreneurial company - finding investors, employees, associates, customers - is a challenge because they lack resources and proven competencies**.** Past research has shown the importance of a number of enabling conditions and entrepreneurial actions that can help obtain needed resources, but has insufficiently addressed the two following issues: First, an empirically grounded understanding of the distinct actions that entrepreneurs take, and second, the theoretical rationale for the suggested actions. In this research, we used grounded research to explore these questions. To the best of our knowledge, the inductive model that we present here is the first to ground empirically a range of symbolic actions performed by entrepreneurs. It is also the first to link theoretically the categories in which these actions cluster to different types of legitimacy.

Our research was an intensive UK based two-year long field study. We searched a business school's database for alumni who had become involved in entrepreneurial ventures and contacted an initial list of 230 names, asking for entrepreneurs who had launched a company in the Greater London area within the past 18 months. We received 83 replies, of which 40 seemed to fit our criteria and we then conducted conversations with the respondents to determine if they really met our selection criteria. This process allowed us to retain 26 entrepreneurs. We conducted two intensive interviews with all 26 entrepreneurs in our sample, and we also interviewed extensively resource holders. We recorded and transcribed all interviews and made extensive handwritten notes. To reduce bias from recall and ex-post rationalization, we collected data from other sources as well, such as ventures' websites, the business press, business plans, and presentations. On the basis of our data analysis, we identified seven extreme cases that featured noticeably high or low levels of symbolic action. For the seven extreme cases, we also

interviewed important stakeholders—co-founders, investors, employees, suppliers, customers, and board members.

In a careful three-step approach detailed in the paper, we coded an action as symbolic if it held at least one of the following conditions: (1) it was clearly intended by the entrepreneur as a symbolic action; (2) it was perceived as symbolic by the resource holder; or (3) we saw it as symbolic. Our analysis at this stage suggested a causal link between acting symbolically and attracting resources. To build stronger assertions, we divided our seven extreme cases into two sub-sets: one in which the ventures were clearly successful in terms of acquiring human capital, external financial capital, and customers and another in which they were less successful. Building on academically established criteria, such as speed, we coded the success of medium-term achievements.

Our data, based on both founders' and resource providers' accounts, suggest that symbolic management enhanced entrepreneurs' odds of acquiring resources. We also noted, in many cases, a time lag between symbolic management and the growth of the company's resource base, which enhanced the plausibility of a causal link. Although all entrepreneurs in our study practiced symbolic management, some entrepreneurs appeared more skillful and imaginative than others in performing symbolic actions and were acutely aware of the advantages of using symbols. The entrepreneurs in all four low resource-acquisition ventures performed symbolic actions with less skill than entrepreneurs in high resource-acquisition ones. The former tended to follow a more technical/analytical approach, focusing their activities on developing their product or promoting their technological superiority. The founders underinvested in the skillful presentation of their products, their organizations, and themselves.

According to our data, the quality of symbolic actions hinges on whether entrepreneurs consider their own constraints and abilities when taking symbolic action. Our data suggest that

entrepreneurs who were less aware of their constraints and abilities in taking actions with both intrinsic and symbolic dimensions had greater difficulty in attracting resources. Some of the entrepreneurs whom we studied were also less successful than others in translating awareness of symbolic ideas into symbolic actions.

Our data show that the quality of symbolic actions often hinges on whether entrepreneurs customized their symbolic displays to particular audiences,and on the level of complementarity between the content of symbolic actions and the processes used to display it. Overall, we conclude that skillfulness in performing a symbolic action can be viewed as the quality of action that displays (1) reflexivity, (2) enactment), (3) customization, and (4) complementarity.

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 entrepreneurship 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, so that entrepreneurs may possess superior information about the intrinsic quality of their ventures (Amit, Brander, and Zott, 1998). Resource holders are therefore reluctant to commit their precious resources to new ventures (Bhide, 2000: Chapter 3; Schoonhoven and Romanelli, 2001; Hellmann, 2002). Some entrepreneurs circumvent these challenges by recombining the resources that they have at hand in a process of "entrepreneurial bricolage" (Baker and Nelson, 2006). Most entrepreneurs, however, even those who engage in bricolage, will be faced at some stage in the creation of their organizations with the need to acquire resources from external stakeholders in order to launch or grow their ventures. How can they increase their odds of being successful?

Researchers have shown the importance of a number of enabling conditions and entrepreneurial actions that can help entrepreneurs obtain the resources they need to create organizations. These factors include the caliber of the founding team (Eisenhardt and Schoonhoven, 1990); financing, location, and competitive conditions (Schoonhoven, Eisenhardt, and Lyman, 1990); business planning techniques (Delmar and Shane, 2003); the reputation of affiliated firms and institutions (Stuart, Hoang, and Hybels, 1999; Higgins and Gulati, 2003); social capital, such as directorships in other firms (Florin, Lubatkin, and Schulze, 2003); and legitimating certification contests (Rao, 1994). Research on entrepreneurial actions, moreover, has identified a number of ad hoc activities, such as looking for facilities, organizing a top-level team, seeking financial

support, and developing a prototype, which can occur in various orders (see Aldrich, 1999: Chapter 4).

Despite these contributions, two important issues are still insufficiently addressed. First, research has yet to provide us with an empirically grounded understanding of the distinct actions that entrepreneurs take in order to acquire resources. Many activities identified as important to entrepreneurship, such as organizing a top team or developing a solid operating plan, seem germane to the management of any business, new or established, and apply even to large companies with adequate resources. Moreover, as many entrepreneurs seem to be engaging in more or less similar activities, it remains unclear what resource-poor entrepreneurs actually do to distinguish themselves from their competing peers in order to acquire resources.

Second, the theoretical rationale for the suggested actions in regard to resource acquisition remains underdeveloped (Aldrich, 1999). In many instances, researchers have tended to look at these actions as a kind of checklist, but have not really explored why and how performing them would have a differential impact on resource acquisition. This leads us to ask how entrepreneurs can perform these various actions effectively to increase their chances of acquiring resources from external stakeholders.

An emerging stream of mainly conceptual research on self-presentation and social influence offers some clues to these issues (Schoonhoven and Romanelli, 2001: 389). A few scholars have suggested that building legitimacy to acquire resources during the early stages of venture creation is critical (Aldrich and Fiol, 1994; Lounsbury and Glynn, 2001; Zimmerman and Zeitz, 2002). Legitimacy is socially constructed and refers to “a generalized perception or assumption

that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, beliefs, and definitions" (Suchman, 1995: 574). These scholars have proposed various strategies for entrepreneurs, such as manipulating and creating rules, norms, and values (Zimmerman and Zeitz, 2002), creating identities through "storytelling" (Lounsbury and Glynn, 2001), and leveraging friendship and obligations (Starr and MacMillan, 1990). Hargadon and Douglas (2001), who studied Thomas Edison's introduction of the electric lighting system, suggested that entrepreneurs design and present their innovations to mediate between the novel features of their offerings and the expectations, norms, and rules of their institutional environments**.** These studies have often focused on how entrepreneurs present information to resource holders, that is, how they manage impressions (Gardner and Avolio, 1998).

Within this framework of impression management approaches, a few researchers have hinted at symbolic action as a means of creating the legitimacy that enables resource acquisition. Aldrich and Fiol (1994: 652) posited that symbolic communication could facilitate cognitive legitimacy (i.e., being taken for granted). Similarly, Lounsbury and Glynn (2001: 549) theorized that stories are important organizational symbols that help legitimate new firms. Focusing on non-verbal symbols, Higgins and Gulati (2003) found that, within biotechnology firms, the upper echelon's previous affiliation with prominent organizations could appeal symbolically to prestigious underwriters and encourage them to create initial public offerings (IPOs).

These studies tended to suggest either general symbolic behavior (e.g., Aldrich and Fiol, 1994; Lounsbury and Glynn, 2001) or to focus on a particular type of symbol or symbolic action, such as certification contests (Rao, 1994). Taken together, they point at the potential importance of symbolic action for resource-needy entrepreneurs. But there is still a lack of an empirically

grounded understanding of the various categories of symbolic action that entrepreneurs use, how they use them, and how effectively they do so. Missing from the literature is a close examination of the causal link between acting symbolically and attracting resources. In this study, we explore the following questions: what symbolic actions do entrepreneurs perform to attract resources? When is symbolic action effective for acquiring resources, and why?

We used grounded research to explore these questions because we believed that not enough was known about entrepreneurs' actions to develop testable hypotheses**.** After a two-year field study, we have found that entrepreneurs enhance their likelihood of attracting resources for new businesses if they perform symbolic actions. A symbolic action is an action in which the actor displays or tries to draw other people's attention to the meaning of an object or action that goes beyond the object's or action's intrinsic content or functional use. We denote the performance of symbolic actions as symbolic management. Specifically, we have identified four empirically grounded categories of symbolic action that entrepreneurs use: conveying the entrepreneur's personal credibility, professional organizing, organizational achievement, and the quality of stakeholder relationships. Our data suggest that individual actions from each of these categories can indeed facilitate the acquisition of a resource. More importantly, we have found that entrepreneurs who perform a variety of symbolic actions skillfully and frequently obtain more resources than those who do not. Our data also suggest several factors—structural similarity, intrinsic quality, and uncertainty—that moderate the relationship between symbolic management and resource acquisition.

To the best of our knowledge, the inductive model that we present here is the first to ground empirically a range of symbolic actions performed by entrepreneurs. It is also the first to link

theoretically the categories in which these actions cluster to different types of legitimacy, which facilitate resource acquisition in entrepreneurial ventures. Our model is also more widely applicable than previous studies on entrepreneurs' resource acquisition. These have focused on later stages, such as the IPO (e.g., Higgins and Gulati, 2003); specific industries, such as biotechnology (e.g., Stuart, Hoang, and Hybels, 1999) or semiconductors (e.g., Schoonhoven, Eisenhardt, and Lyman, 1990); and particular resources, such as sales (e.g., Eisenhardt and Schoonhoven, 1990) or financial capital (e.g., Florin, Lubatkin, and Schulze, 2003). Our model holds for early stages, a variety of industries, and a broad range of resources. It centers on entrepreneurial action, rather than firm-level or industry characteristics, following the belief that theories of the entrepreneur require theories of action (McMullen and Sheperd, 2006).

SYMBOLIC ACTION

Symbols, Symbolic Objects, and Symbolic Actions

A symbol is "something that stands for or suggests something else by reason of relationships, association, convention, or accidental resemblance" (Webster's Seventh New Collegiate Dictionary, 1978). We adopt Morgan, Frost, and Pondy's (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" when it means serving a purpose. According to our research, the symbolic dimension of objects or actions can serve a purpose, namely, convincing stakeholders.

Many objects can display both intrinsic and symbolic dimensions (Lievens and Highhouse, 2003; Rafaeli and Vilnai-Yavetz, 2004). The intrinsic dimension corresponds to objective or tangible functions that are recognized independently of subjective interpretations. For example,

an office serves the intrinsic purpose of being a place where people work. This interpretation of functionality is unlikely to differ much from one culture to another. A prestigious office address, however, could symbolically suggest prosperity and high status (Oldham and Rotchford, 1983). The symbolic dimension thus refers to evoked meanings—people make inferences about objects on the basis of shared meanings. For example, an expensive business suit conveys more than its intrinsic function of covering the body; it helps the wearer convey a desirable image of respectability and success (Rafaeli and Pratt, 1993).

Not only objects but also actions can display both intrinsic and symbolic dimensions. For example, an entrepreneur speaking at prestigious conferences to disseminate knowledge (intrinsic dimension) is also conveying the message that established people recognize and value his or her expertise (symbolic meaning). Defining an action as a social expression that can incorporate both intrinsic and symbolic dimensions extends the view of a symbol as either a rhetorical device with little substantive action or as a socially legitimate verbal statement decoupled from any implementation (Westphal and Zajac, 1998; Zbaracki, 1998).

Symbolic and Impression Management

Symbolic actions may take into account how various displays will be observed and interpreted by particular groups. We consider symbolic management, that is, performance of symbolic actions, a distinct form of impression management (Arndt and Bigelow, 2000). The latter refers to any behavior that has the purpose of controlling or manipulating attributions formed by others (Tedeschi and Riess, 1981) by regulating the information that is presented about people or their organizations (Schlenker and 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 have little symbolic meaning and suggest little beyond intrinsic use. Symbolic management can at best be construed as a subset of impression management, but not all forms of impression management are symbolic. Symbolic meaning is culturally specific, and has to be subjectively interpreted as such by actors who are familiar with the cultural norms of a given social milieu. For example, a sales presentation that conveys how an entrepreneur can serve customer needs (intrinsic dimension) may be particularly well performed. However, if actors in this particular cultural milieu cannot decode any distinctive symbolic meaning, the sleek delivery will have served mainly an intrinsic purpose.

Effects of Symbolic Actions

Although the intrinsic content or functional use of an action are often measured by economic or performance yardsticks (e.g.,, speed, defect rate), its symbolic meanings in a particular cultural milieu are evaluated according to subjective dimensions such as emotions, preferences, and values (Rafaeli and Vilnai-Yavetz, 2004), as well as logic and precedence,[1] which can influence the decisions of resource holders (Brown, 1994). The intrinsic dimension of entrepreneurship could involve organizing actions to enact a novel idea, such as developing business plans, finding investors, hiring employees, and attracting customers (Aldrich, 1999; Delmar and Shane, 2003). Meanwhile, the symbolic dimension of these actions can make the new venture familiar and credible to key groups (Lounsbury and Glynn, 2001). Because symbols convey important social 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. Symbols enable people to convey meanings either directly or indirectly (Jones, 1996).

[1] We thank one reviewer for this insight.

Symbolic Actions in the Context of Entrepreneurs' Resource Acquisition

Institutional theory suggests that organizations that want to appear credible must act in ways that conform to prevailing societal beliefs, otherwise they risk failing to obtain sufficient resources because of a perceived lack of legitimacy (Pfeffer and Salancik, 1978; DiMaggio and Powell, 1983; Zucker, 1986). As Feldman and March (1981) and Pfeffer (1981) have 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. Symbols suggest categorizations that help people frame social situations or interpret ambiguous ones (Ashforth and Humphrey, 1997), and they are important for entrepreneurs, who often work in highly uncertain contexts.

As a result, entrepreneurship involves "enactment"—that is, part of the environment that symbolic actors face is created by the actors themselves (Weick, 1995). Before a product is fully developed and marketed, for example, no one knows if it will be successful (Gort and Klepper, 1982). Because of this uncertainty, perceptions of the credibility of a prospective course of action will depend on subjective social beliefs (Krueger, 2000).

Consistent with these ideas, an emerging stream of research suggests that successful entrepreneurs are not passive participants in their cultural context but rather 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 and Fiol, 1994; Hargadon and Douglas, 2001). According to Suchman (1995), an organization's legitimacy can be anchored in distinct but interrelated dimensions, such as the personal legitimacy of the founding entrepreneurs, the

organizational legitimacy of the company's structures and processes, and the relational legitimacy of the other involved people and organizations. But new firms face a serious conundrum: how can they establish legitimacy in order to attract enough resources to build and sell their first products? DiMaggio (1991) and Rao (1994) suggest that legitimizing consists of creating an account of an organization and embedding it in a symbolic universe. Yet we know very little about the nature of symbolic universes and how entrepreneurs actually use them. In particular, we know little about the variety of symbolic actions that entrepreneurs use, how they use them, and what effects they have on resource acquisition.

METHODS

We began our research without formalizing any expectations of what actions entrepreneurs take to acquire resources. Formulating precise hypotheses seemed premature because current entrepreneurship theories are underdeveloped (Venkataraman, 1997), partly due to the dearth of longitudinal research designs and theory-building efforts in entrepreneurship research (Chandler and Lyon, 2001; Schoonhoven and Romanelli, 2001). Moreover, prior research has tended to identify new firms from industry directories or legal records and thus is prone to survivor bias. As Zimmerman and Zeitz (2002) point out, researchers tend to study venture success retrospectively. Because many ventures never reach the profit stage and few of them survive, we do not know what the entrepreneurs did in their early days to increase their odds of survival.

Sample Selection and Data Collection

Our research was UK based. To identify entrepreneurs who had recently launched new firms or were in the process of creating them, we searched a business school's database of alumni who had become involved in entrepreneurial ventures after they had graduated. The resulting list

contained 230 names, whom we contacted by e-mail to explain the purpose of our research. We asked for entrepreneurs who (1) had launched a company within the past 18 months, or were planning to do so in the next six months; (2) had their headquarters in the Greater London area; and (3) were willing to participate in a research project that might involve a substantial time commitment. We guaranteed participants complete confidentiality and anonymity. We aimed to study entrepreneurs in the early stages of creating a company for two reasons; first, we wanted to avoid sampling based on outcomes, and second, these early stages have been given little attention until now. We focused on a confined geographical area to minimize sample variation due to environmental factors (e.g., sociopolitical context, business climate, available resources).

We received 83 replies, of which five were negative and the rest were split between "I am potentially interested" and "This sounds interesting, but my venture probably does not fit the research criteria." Of these leads, 40 seemed to fit our three criteria and the rest were dropped for a variety of reasons—for example, 10 operated outside the UK. We then conducted telephone conversations with 20 respondents to determine if they really met our selection criteria. We followed up with the other 20 cases by e-mail. Many of these respondents clearly suited our criteria; they were based in London and started during the time period we specified (we allowed some older ventures when the founders plausibly explained why they were still in an early stage). This process allowed us to retain 26 projects.

We did not expect significant bias due to non-response during the initial selection stage. First, we proposed to study entrepreneurial behavior broadly—our focus on symbolic action and its importance for attracting resources emerged only during our iterative data analysis process, as we explain later. Second, most of the ventures in our sample started between 1999 and 2001 and

were at such an early stage of development that predictions about their eventual performance (e.g., success in attracting resources) were premature.

We recorded entrepreneurial behavior (in real time and retrospectively), mostly by interviewing the founders. Most founders[2] had graduated from the same top-tier business school, had very high average GMAT test scores (around 700), had an average of five years' professional experience before enrolling in the MBA program, and could access 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 entrepreneurial ventures. We followed Gartner's (1985) suggestion to increase the homogeneity of sub-groups of entrepreneurs and look for variances within them to develop precise mid-range theories.

Beginning in February 2002, we conducted face-to-face interviews, mostly at work sites, with all 26 entrepreneurs in our sample to establish personal rapport with them. Each first-round interview lasted one to two hours. For the next rounds (the second round of interviews was conducted between October and December that year), we relied mainly on telephone interviews, which lasted between 30 and 90 minutes. Resource holders were interviewed between July 2003 and February 2004. We recorded and transcribed all interviews and made extensive handwritten

[2] In this article, 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 providers" interchangeably.

notes. During the first-round interviews in particular, we asked the interviewees to provide us with a comprehensive account of their actions since the earliest days of their ventures. We asked open-ended questions and prompted respondents to provide concrete examples of actions and events with questions like: Did you focus on key processes when building your company? Which ones? What were the key resources that you acquired? How did you acquire them? How did you present yourself to the resource holders?

To reduce bias from recall and ex-post rationalization, we collected data from other sources as well. We regularly monitored the various ventures' websites and collected information from the business press, business plans, and presentations. We also collected mini-cases written by entrepreneurs to promote their products, press announcements, and cash-flow forecasts (if available). These sources enabled us to triangulate our findings to build stronger interpretations (Yin, 1984).

On the basis of our data analysis (discussed later), we identified seven extreme cases that featured noticeably high or low levels of symbolic action. We decided to look more closely at these actions and how they influenced resource holders. We followed Eisenhardt's (1989: 537) recommendation for a theoretical sampling approach (cf. Strauss and Corbin, 1998) that involves between four and 10 extreme cases in which the phenomenon of interest is "transparently observable." Using a finite number of cases enables researchers to find some balance between generating a reasonably textured theory and having to cope with the "complexity and volume of data." As Eisenhardt (1989: 545) argued, "the goal of theoretical sampling is to choose cases which are likely to replicate or extend the emergent theory." Huy (2002) and Brown and Eisenhardt (1997) have used a limited number of cases with clear high and low manifestations of

the variables that interest them, and Brown and Eisenhardt have argued that eliminating the larger study's "middle cases" enables researchers to "more clearly distinguish the key processes and describe them in a limited space" (1997: 4).

Focusing on these seven cases helped us to reach a satisfactory level of "theoretical saturation," in that the other 19 cases that we considered did not seem to yield any new important theoretical insights. In particular, we could not find any evidence that would have suggested we should produce any new categories of symbolic action other than the four we had already identified. Rather, we found more evidence that confirmed these four categories. As a result we have included later in this paper, under findings, some illuminating quotes (their origin is given as OTHER) to enhance the descriptive richness of our findings. Nor did we find evidence that modified or contradicted our theoretical claims. For example, we could not find a single case among the 26 venture projects in which a low level of symbolic actions correlated with a high level of success in consistently attracting resources, nor could we find a case in which a high level of symbolic actions correlated with a low level of success.

For the seven extreme cases, we also interviewed important stakeholders—co-founders, investors, employees, suppliers, customers, and board members (see Table 1). Some of the questions that we asked stakeholders other than co-founders included: What resources did you provide to the venture, and why? Can you give us some examples of how the entrepreneurs approached and interacted with you? What did you like, or like less, about the way the entrepreneur approached you and dealt with you? For almost all the ventures (except MOBILE), we interviewed at least one third party who had denied them resources. Interviews with these third parties lasted between 15 minutes and two hours.

Data Analysis

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 enabled us to move gradually from general to specific constructs. In addition, interactions with academic and practitioner audiences helped us refine our ideas. 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, and Sablynski, 1999) in which we analyzed a sample of ventures that displayed high and low IM actions, according to the taxonomy proposed by Gardner and Avolio (1998), which includes IM categories such as ingratiation, intimidation, supplication, promotion, assertive behavior, and facework. Our aim was to find any association between high or low IM actions and resource acquisition. We coded IM forms of behavior (e.g., “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 determine if differences in IM behavior could be related to differences in acquisition outcomes.

The general pattern suggests that high IM activity may be positively associated with high resource acquisition. However, we were not fully satisfied, because a few ventures with high IM actions experienced moderate to low success; so the IM findings were imprecise. This dissatisfaction led us to reanalyze our data in a second broad step and focus on a subset of IM

that we call “symbolic action.” This process also led us to review the literature on symbols extensively (e.g., Lievens and Highhouse, 2003; Rafaeli and Vilnai-Yavetz, 2004) and to the understanding that an action can convey both intrinsic and symbolic meanings.

We coded an action as symbolic if it held at least one of the following conditions: (1) it was clearly intended by the entrepreneur as a symbolic action, in that the actor displayed or tried to draw other people’s attention to meaning that went beyond its intrinsic content or functional use; (2) it was perceived as symbolic by the resource holder; or (3) we saw it as symbolic.

Initially, one of us coded all the actions that entrepreneurs performed to acquire resources. Then each of us independently went through the codes to identify those actions that were symbolic, according to our definition. We then compared them and discussed any disagreements. If we could not reach consensus on any symbolic action, we dropped it. As a result, final coding agreement was 100 percent. In this second analytical stage, we applied both theoretical elaboration and theory building (Lee, Mitchell, and Sablynski, 1999) to develop the model. Theoretical elaboration of the literature on symbols enabled us to recognize that an action can have many intrinsic functions and symbolic meanings. Theory building, moreover, enabled us to induce categories of symbolic action in the entrepreneurial context.

Initially, we labeled categories very closely to the data. For example, we categorized the display of a top-tier business school degree as a means to convey personal capability and a demonstration of a partially working prototype as a means to convey partially working products. That way we were able to discern eight sub-categories of symbolic action, conveying: personal capability; personal commitment; professional processes; professional structure; partially

working product/technology; age, size, or performance; prestige; and individual attention (see the section on findings). Gradually, we grouped our eight sub-categories into four, according to the symbolic meaning of each. For example, we grouped professional structures and processes together because both seek to convey professional organizing. Similarly, we grouped displaying a working product and advertising the age of the firm together because they seek to convey organizational achievement.

In the third broad step, we analyzed more closely how various symbolic actions influenced resource holders in the extreme high and low symbolic action cases. We asked the founders of seven companies (our extreme cases) to allow us to interview several of their resource holders to increase the nuance and validity of our findings. In Table 1, we provide information on the stakeholders that we interviewed for each case. We requested the names and contact details of these third parties from the founders, because the latter might have worried about the potential disruption of their business activities— for example, that potential customers would not want to be contacted and questioned by researchers without being 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.

[INSERT TABLE 1 ABOUT HERE]

Table 1 also presents short descriptions of the seven focal cases (the names of the companies and respondents are disguised to ensure confidentiality). The ventures in this sample are active in many industries, including software (CLAIM, MOBILE), tourism (TRAVEL), 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 (e.g., FINA is primarily a human capital-driven services business, WIND develops wind farms). Thus, our sample includes many distinct product-market contexts**.** Most entrepreneurial teams were first-time founders (FINA, MARKET, MOBILE, WIRE). One was a first-time entrepreneur cooperating with an experienced co-founder (TRAVEL). And two had some earlier, albeit limited**,** entrepreneurial experience, in the same industry (WIND) or a different one (CLAIM).

Could the more successful entrepreneurs and their potential resource holders have "envisaged" and "reported" 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. 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 analytical business logic than with IM or symbolic action**.** In addition, we used many data sources to triangulate their accounts, as we show in Table 2.

[INSERT TABLE 2 ABOUT HERE]

Our analysis at this stage suggested a causal link between acting symbolically and attracting resources. To build stronger assertions, we divided our seven extreme cases into two sub-sets: one in which the ventures were clearly successful in terms of acquiring human capital, external financial capital, and customers (Bhide, 2000; Brush, Greene and Hart, 2001), and another in which they were less successful. Building on Schoonhoven, Eisenhardt, and Lyman's (1990) notion of the speed at which new companies develop their first products for market, we

characterized medium-term achievements by the progress that ventures 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 and Shane, 2003).[3]

We considered overall progress in acquiring resources "good" when there was adequate or better than adequate success in attracting each of the three key resources (employees, capital, and customers) and where the customer base could be defined in terms of the number of paying customers or 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 planned development (e.g., R&D); and (3) developing the customer base (in terms of either the number of paying customers

[3] Resource acquisition as an interim outcome of venture building mediates the ultimate fate of a venture (e.g., financial success, growth, survival, 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, in contrast, are more likely to be directly influenced by entrepreneurs' own behavior (Aldrich, 1999) such as symbolic actions. Because of the dynamism and uncertainty of the venturing process, intermediate and ultimate outcomes can be linked only imperfectly. Although slow resource acquisition is likely to be associated with a higher probability of eventual failure (Schoonhoven, Eisenhardt, and Lyman, 1990), some ventures with poor initial success in resource acquisition can nevertheless become successful enterprises in the long run. Conversely, early success in resource acquisition does not guarantee eventual survival.

or the amount of absolute revenues) quickly enough to break even within a reasonable time. In evaluating these three dimensions, we relied on our own assessments, as well as those of the founders and stakeholders for each venture. In Table 3, we provide evidence pertaining to the resource acquisitions of our seven cases.

[INSERT TABLE 3 ABOUT HERE]

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

FINDINGS

Our data, based on both founders' and resource providers' accounts, suggest that symbolic management enhanced entrepreneurs' odds of acquiring resources. We also noted, in many cases, a time lag between symbolic management and the growth of the company's resource base, which enhanced the plausibility of a causal link. For example, the founders of WIRE (a high resource-acquisition venture) implemented their elaborate recruiting process *before* hiring employees, finding customers, receiving venture capital, or producing anything. Most

interestingly, perhaps, we found significant variation in the use of symbolic action among entrepreneurs, both in terms of quality and quantity of use. How do entrepreneurs effectively acquire resources from external stakeholders and, in particular, how does symbolic action make a difference? Although all entrepreneurs in our study practiced symbolic management to influence potential resource holders, some entrepreneurs appeared more skillful and imaginative than others in performing symbolic actions and were acutely aware of the advantages of using symbols to overcome the various liabilities of creating a business.

Skillfulness in Taking Symbolic Action

Our findings reveal that entrepreneurs in all four low resource-acquisition ventures (CLAIM, MARKET, MOBILE, WIND) performed symbolic actions with less skill than entrepreneurs in high resource-acquisition ones (FINA, TRAVEL, WIRE). The former tended to follow a more technical/analytical approach, focusing their activities on developing their product or promoting their technological superiority. The founders underinvested in the skillful presentation of their products, their organizations, and themselves.

Skillful symbolic action 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 dimensions, which are based on the accounts of both entrepreneurs and resource holders. Our data suggest that this concept could involve at least four dimensions: reflexivity, enactment, customization, and complementarity. Table 4 illustrates how we coded them.

[INSERT TABLE 4 ABOUT HERE]

Reflexivity

According to our data, the quality of symbolic actions hinges on whether entrepreneurs consider their own constraints and abilities when taking symbolic action. One constraint to which most entrepreneurs in our study were exposed was that they had precious few resources with which to enact expensive symbols**.** They faced the challenge and constraint of approaching resource holders with symbolic actions that did not require a lot of money. Some entrepreneurs, who were eventually successful in attracting resources, managed this challenge well. Consider the case of FINA, in which awareness of front-staging an appearance of professional organizing (Goffman, 1959) was paired with strict 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. (Founder, FINA)

Other entrepreneurs were overwhelmed by their constraints and either could not think of any cash-preserving ways to generate credibility by acting symbolically, as indicated in Table 4, or were simply unaware of the need (or of their own abilities) to act symbolically. One CLAIM co-founder, for example, indicated that at the time when he and his business partners were raising funds they did not consider symbolic management for approaching investors: "If you could be very flash and talk about wireless and all that type of stuff you stood out, and possibly that's something that we didn't do. We didn't really stand out as a business." Our data thus suggest that entrepreneurs who were less aware of their constraints and abilities in taking actions with both intrinsic and symbolic dimensions had greater difficulty in attracting resources.

Enactment

Some of the entrepreneurs whom we studied were also less successful than others in translating awareness of symbolic ideas into symbolic actions. The founder of WIND, Jeremy, understood the symbolic importance of interesting websites, nice furniture, and appropriate dress codes. Jeremy and his senior employee, Luke, even took lessons from a coach who specialized in presentation skills. But they were not very successful in enacting their conceptual knowledge. Luke kept neglecting important symbols such as dress. A board member commented that "Luke was always scruffy. I suggested Jeremy could tell him to look smarter."

Banal or awkward symbolic actions backfire if people perceive them as socially inappropriate (Ashforth and Gibbs, 1990). Most people know intuitively how hard it is to translate conceptual knowledge into skillful action (Pfeffer and Sutton, 2000), so skillful symbolic actions also convey social efficacy (Feldman and March, 1981).

Customization

Our data show that the quality of symbolic actions often hinges on whether entrepreneurs customized their symbolic displays to particular audiences. Some of the entrepreneurs we studied used dress codes to symbolize formal structures, and adapted the way they presented themselves to their various audiences' perceptions of professionalism. They conveyed to their 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. (Founder, OTHER[4])

Prior research in non-entrepreneurial contexts found that organization members use dress as an informative symbol for work-related activities (Rafaeli et al., 1997). Aspects of dress—color, material, and style—communicate significant non-verbal information to outsiders about identity, values, power, and wealth (Bushman, 1984; Humphreys and Brown, 2002). Our findings extend these studies by suggesting that the meanings associated with a company's representatives can not only help established organizations redesign their corporate image (Rafaeli and Pratt, 1993), but also help emerging organizations acquire resources.

Entrepreneurs who paid less attention to their audiences' perceptions were less successful in attracting resources. The founder of WIND (a British firm), for example, sent his senior employee, who was from Italy, to a crucial negotiation with potential Spanish investors who had never invested outside their home territory before, let alone in a venture. The employee tried a mainly analytic, quantitative approach to convince the Spanish investors; however, he was unable to recognize or address these investors' concerns. A member of the advisory board of WIND, who recounted this incident, believed it was a serious mistake:

> Here was a Spanish company that had not made an investment 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 and numerical, and also he was from the wrong industry. (Board member, WIND)

[4] We denote as "OTHER" all cases that were not part of our core sample of seven extreme cases; as we explained previously, we use these cases to illustrate and confirm the theory that we developed on the basis of our extreme cases.

As a result, the negotiations with the Spanish firm broke down. WIND’s lack of success in raising equity capital from external sponsors was partly due to the lack of customization in symbolic management by members of the organization.

Complementarity

The quality of an interaction between symbolic actors and their audiences also depends on the level of complementarity between the content of symbolic actions and the processes used to display it. Some ways of communicating symbolic content do not allow entrepreneurs fully to display the symbolic value of an action. The founders of CLAIM, for example, initially relied exclusively on telephone sales. This constrained the range of symbolic actions they could make and made it harder to display the symbolic value of their product. One investor commented, “Cold-calling is great, but warm-calling potentially works better.” With hindsight, one of CLAIM’s co-founders acknowledged the point:

> 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. (Co-founder, CLAIM)

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

> I’m not sure that we could ever pre-categorize it, but when we presented it together, it was actually a very good combination because some people completely warmed to the other TRAVEL co-founder and didn’t talk to me for the entire discussion, in

> which case I’d just shut up and he presented it. Other people did exactly the opposite, you know, and he’d just shut up and I presented it. It was kind of 50-50, but we could almost never predict which way it was going to go. (Co-founder, TRAVEL)

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 also personally like the entrepreneur’s way of saying it.

We thus view skillfulness in performing a symbolic action as the quality of action that displays (1) reflexivity (that is, the symbolic actor is aware of his or her own constraints and abilities), (2) enactment (the actor transforms awareness into symbolic action), (3) customization (the actor adapts symbolic actions by paying attention to resource holders’ perceptions), and (4) complementarity (the actor aligns the content of symbolic actions and the process of performing them). Symbolic actions are skillful when they are mindful of the interacting parties’ beliefs and do not blindly mimic others’ behavior.

Besides suggesting how entrepreneurs performed symbolic management in differentiated ways, our data also revealed what kind of symbolic actions entrepreneurs took to acquire resources, given their lack of track record, reputation and collateral assets. We found that entrepreneurs emphasized a wide variety of symbolic action categories that conveyed personal credibility, professional organizing, organizational achievement, and the depth of relationships between founders and stakeholders.

Symbolic Actions Conveying the Credibility of the Individual Entrepreneur

Entrepreneurs in our study (particularly those who made good progress in attracting resources)

conveyed their abilities as credible company builders by symbolically displaying personal capability and personal commitment.

Personal capability

Some founders made explicit use of their business school degree as a symbol of personal capability. Although the degree represents an intrinsic certification of past academic accomplishments, it also projects business capability, especially if it comes from a reputable business school. Although 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 providers *knew* which school they had graduated from. Investors appreciated this symbolic gesture, as the following comment from one of the venture capital investors in TRAVEL attests:

> 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. (Investor, TRAVEL)

The symbolic action of displaying the degree from a prestigious business school increased the confidence of the resource holder in the entrepreneurs' competence. Waibel and Wicklund (1994) have found that people who are unable to assess the actual performance of another person tend to rely on displays of personal attributes to make inferences about the person's level of competence (e.g., successful artists have long hair, MBA graduates from a certain school are competent business people), even if these stereotypes have little bearing on actual abilities.

Another entrepreneur was laid off in his mid-40s and spent two 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 prospective clients and stating that he was doing “research” (intrinsic dimension), an activity that is generally well respected by English society (symbolic dimension):

> 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…. I’d like to come and interview you and find out exactly how this works, and what you do. (Founder, FINA)

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 his firm.

Personal commitment to the venture

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

> Early on in the investment round, we started to include the fact that my partner was going to work for the first six months without any pay which the investors were very impressed with. In fact, it showed a lot of commitment… What the investors didn’t want to do was just basically be supporting our lifestyle. They said, OK, you decide to start this company and you want us to put money into it—what are you putting into this? (Cofounder, TRAVEL)

In the case of WIRE, not only the founders but also the employees (as a distinct group of stakeholders) voluntarily made substantial financial sacrifices (i.e. agreed to have two months' wages deferred) 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 more than we'd asked for. It was very moving, actually, for the management team. The investors were awe-struck by the fact that people had such commitment to the business. They were very impressed by that … They said that after they closed the financing round, it was one of the key things that really gave them belief in the business. (Founder, WIRE)

A board member and investor in 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. (Investor, OTHER)

These data suggest that symbols of personal credibility, including symbols of personal competence and commitment, are important for convincing potential resource providers because they inspire confidence that the organization members (particularly the founders) are willing and able to manage and build the business, even under adverse conditions. In particular, symbols of commitment reassure resource providers that the entrepreneurs are able to endure adversity, and not "jump ship" and abandon their projects when faced with difficulties.

Symbolic Actions Conveying Professional Organizing

Our data showed that 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 refer to ways of representing the company's visible attributes that are usually taken for granted, for example, its legal status, or its corporate hierarchy (e.g., a flow chart that includes the board of directors) (see Meyer and Rowan, 1977). According to our data, other important structural attributes that entrepreneurs displayed as symbols included the company's website, its offices, or its dress code. A website not only served as the online tool for distributing company information but also as the symbol of an established, professionally run company—one that can "help the entrepreneur pitch to the [venture capital] world to raise funds," as one supplier of marketing services to CLAIM remarked.

To convey formal structures symbolically, some entrepreneurs in our study used fashionably decorated front offices (intrinsic function—a place to work and receive guests) to elicit confidence. One founder elaborated on the symbolic importance of impressive offices 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 display of formal structure helped his venture 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. (Founder, OTHER)

Recent research on established organizations indicates 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 displayed artifacts (Elsbach, 2004). They link status (e.g., power and wealth) to furnishings, location, and décor. Most people, after all, have a common conception of what high-status environments look like (Dittmar, 1992).

Professional processes

As Feldman and March (1981) have pointed out, organizational processes may 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). Indeed, we found that entrepreneurs acted symbolically to convey the professionalism of their organizational processes, such as hiring staff and serving customers. Obviously, what are considered professional processes depend on the institutional fields in which the ventures operate. These processes could transcend their intrinsic purpose (e.g., growing the firm, ensuring good performance) to convey symbolically professionally run enterprises. Our data suggest that resource holders were favorably impressed by these symbols, as the following supplier of marketing services testified:

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

In another example from our data, the founders of WIRE adopted a tough recruiting process not only to select and evaluate staff (intrinsic dimension) but also to convey to prospective high-

quality employees how serious they were about their venture (symbolic meaning):

> 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 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.” (Founder, WIRE)

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

Symbolic Actions Conveying 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 realized, such as partially working products and technologies or the fact that they had been around for a while and grown.

Partially working products and technologies

Our data revealed that entrepreneurs used prototypes, product demonstrations, trial sites, and

related awards to represent partially working artifacts. These are symbolic because they convey preliminary images of the ultimate products. Entrepreneurs displayed something that appeared to work, although it was incomplete, to reduce the perceived level of technological and business risk. In the case of prototyping this clearly went beyond the intrinsic functions of saving costs, and designing innovative solutions that better fit customer needs (Kelley, 2001; Hargadon, 2003). The symbolic display of company achievement helped attract customers, as one investor in WIRE confirmed by describing 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. (Investor, WIRE)

The founders of WIRE also won industry awards for their technology development, even though they had not yet produced a commercially viable product. They drew attention to these awards on the firm's website and in communications 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. (Board member, WIRE)

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

actually social tests that legitimated these organizations and enhanced their reputations because of two widely held beliefs. First, winners are better than losers. Second, contests convey rational and impartial testing. Thus awards are credentials that symbolize capabilities and establish social standing.

Venture age and number of employees

Some entrepreneurs in our study conspicuously displayed the age or number of employees of their ventures to convey a variety of organizational achievements. The older the firm, for instance, the more major hurdles it had overcome to become an established enterprise. The probability of going out of business had significantly diminished, and the perception of reliability had increased. As one founder said, “It made a massive difference to say that we’ve been around for 12 months, we’re no longer fly-by-night. You could just see it in people’s receptivity.” Thus, on its February 2003 website posting, the firm underlined that it had incorporated at the beginning of 2000. Legal incorporation has been shown to enhance survival odds, probably because it enhances the venture’s legitimacy (Delmar and 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 20-something people. You come to this office and you notice we’re actually four.”

Symbolic Actions Conveying 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 (Stuart et al., 1999; Higgins and Gulati, 2003). We found that entrepreneurs drew symbolically on the prestige

of their associates to acquire more resources and that they also showed symbolic personal attention to potential stakeholders.

Prestige stakeholders

As an ongoing concern, a new firm needs to be seen in good company, with high-profile organizations and individuals, for example. Our data showed that entrepreneurs attempted to achieve these goals through symbolic actions such as dropping high-profile names, mentioning relationships with famous people or companies, or involving prestigious outsiders as company representatives. The intrinsic content and functional use of these actions are that they account for existing and potentially useful relationships, but they also carry symbolic meanings in that ties with prestigious outsiders enhance legitimacy in the eyes of third parties. As an illustration, name-dropping helped the founders of TRAVEL land their first big customer. They used the name of one hotel chain to get a second to join their network. Then, the entrepreneur drew attention to these two big names to recruit other clients and obtain additional funding. As the 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 the TRAVEL founder indicated, “They’ve been a real asset in terms of credibility, and it helped us forge important partnerships.” He recognized:

> We’ve just got a big deal with the Association of National Travel Agents to promote us to 6000 travel agents, and it’s a huge deal, and we’re only 25 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. (Founder, TRAVEL)

Personal attention

Entrepreneurs from our various sample firms remained concerned that the relatively small size of their ventures made them easy to overlook or forget. Acutely aware that larger companies deal with many suppliers, some (but, to our surprise, not all) 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, 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 reliability of the senders. FINA founders, for instance, regularly offered inexpensive artifacts as symbols of personal attention. As one of them told us,

> We try to influence the clients' selective recall. The way we do it is through small gifts like a pen or a ruler with our company name on it. 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. (Founder, FINA)

Our data indicated that resource providers 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* [our italics] customer, and continues to do so."

Other scholars have suggested that symbolic actions that are associated with minor intrinsic value (e.g., granting honorary titles) can be highly appreciated by recipients, because they signify affiliation and offer recognition for valued contributions (Salancik, 1977). Moreover, considerable research suggests that people who experience positive feelings become more helpful and generous. Even seemingly small gifts, such as cartoons, cookies, or notepads, can

reduce interpersonal conflict (Isen and Baron, 1991), facilitate negotiations (Carnevale and Isen, 1986), and promote helping behaviors among strangers (Isen and Levin, 1972).

Many of the symbolic actions described here appear straightforward and one might think that all entrepreneurs would make similar use of them and, consequently, little differentiating advantage would result. Much to our surprise, however, we found sharp variations in the variety, as well as the frequency of symbolic actions performed. Entrepreneurs did not use symbolic management in a uniform manner. This finding once again addresses one of our key research questions: how does symbolic management make a difference for entrepreneurs who need to acquire resources?

Variety and Frequency of Symbolic Actions

In contrasting high and low levels of success in attracting resources, our data showed that the most successful entrepreneurs communicated through the widest range of symbolic actions (see Table 5), while less successful entrepreneurs used a narrower range. MARKET, for example, failed to enact a wide a range of symbols. 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—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. MARKET rapidly lost steam because of its inability to entice customers to trade actively on its platform. Even though it was slowly building an installed base, the number of active, paying customers (critical for an online marketplace) remained low for the first three years.

In Table 5, we depict the categories of symbolic action that we have 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 actions.

[INSERT TABLE 5 ABOUT HERE]

As Table 5 shows, the average number of symbolic action categories used by the founders of TRAVEL, FINA, and WIRE was four (out of a total of four) but was only 2.75 for the founders of MOBILE, CLAIM, WIND, and MARKET. Looking at the sub-categories in Table 5, the contrast is even sharper. The average number of sub-categories used by founders of high resource-acquisition ventures was 7.3 (out of a total of eight) but only three for the founders of low resource-acquisition ones.

The number of check marks in every cell of Table 5 depicts the frequency of symbolic actions, with each check mark representing a different action (rather than a repeated single action, such as offering a pen with a company logo) used to acquire a resource . The more check marks in each cell, the higher 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, whereas low resource-acquisition ventures had a frequency of only 0.9. (Note that these measures are intended as illustrations, not as precise empirical measures.)

Taken at face value, Table 5 might suggest that the quantity of symbolic actions (variety and frequency) is enough to “predict” success in resource acquisition. We are reluctant to draw that conclusion, however, because of the nuances provided by our qualitative analysis—those featured in our proposed concept of skillfulness in taking symbolic action. We propose that the

skillful and frequent use of a variety of categories of symbolic actions explains why some entrepreneurs attracted more resources than others. In addition, our data suggest that there are other factors that could influence the relationship between symbolic management and resource acquisition in entrepreneurial ventures.

Additional Factors that Influence the Effectiveness of Symbolic Management

Structural similarity

The relative importance of symbolic actions and their required quantities and qualities depends on factors that are beyond the scope of our core constructs but that nonetheless affect the relationship between symbolic management and resource acquisition. For example, the required skillfulness, variety, and frequency of symbolic actions to attract resources depend on the structural similarity between the resource holder and resource seeker. Our data show that the smaller the gap in terms of norms, expectations, or status, the less important symbolic management is for bridging it. Specifically, if potential resource providers have worked in conditions similar to those of the entrepreneurs and are therefore familiar and comfortable with the context of a venture, it might take relatively little effort to win support from them. One CLAIM co-founder mentioned this point:

> 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 whether we had any customers, because they didn't have any customers … 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. (Cofounder, CLAIM)

Our data also suggest that similar entrepreneurial backgrounds and affective liking 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 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.” These comments point to empathy with the entrepreneur and sympathy for the entrepreneurial cause as possible explanations for why we expect that the higher the structural similarity between potential resource providers and entrepreneurs, the weaker the association between symbolic management and the acquisition of resources.

The homophily literature suggests that contacts between similar people occur at a higher rate than dissimilar people (McPherson, Smith-Lovin, and Cook, 2001). Advice, respect, and support networks are strongly shaped by people who share similar structural positions or work roles (Ibarra, 1995) such as entrepreneurial work. People who perform similar work roles often influence one another in the adoption of innovations (Burt, 1982). Perceived similarity increases mutual attraction and people associate with similar others for shared preferences and ease of communication (Huston and Levinger, 1978).

Intrinsic quality

The state of venture development also matters for the impact of symbolic management on resource acquisition. When entrepreneurs can point to impressive intrinsic track records and achievements, they do not have to rely on the symbolic dimension as much as if they have few such resources. TRAVEL, for example, built a broad resource base of customers, suppliers, employees, board members, and investors. Doing so significantly reduced its venture liabilities after only a few years. Consequently, the cofounder claimed:

> I think endorsements from hotels that work with us are much more important in the early days than they are later, which is unfortunate because the early days are when you [need them most]. The early endorsements are slightly disingenuous because the hotels only worked with you for a couple of weeks, but you asked them for an endorsement anyway. 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. (Co-founder, TRAVEL)

Our data lead us to 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 management and resource acquisition. Symbolic actions performed for startup organizations lacking a track record or standing are likely to be more consequential than those performed for more established organizations (Rao, 1994:33). As early symbolic actions help entrepreneurs acquire resources to develop high quality offerings, a profitable customer base, and reliable production, these intrinsic achievements are likely to be increasingly sufficient to convince stakeholders to provide more resources. A track record of technical performance and intrinsic success increases the organization's legitimacy and eases resource acquisition (Lounsbury and Glynn, 2001). Once conferred, legitimacy is reassessed less vigilantly, unless major mishaps occur (Ashford and Gibbs, 1990; Suchman, 1995). The relative use of symbolic management is likely to decline as the latter becomes less necessary.

Uncertainty

Finally, our data suggest that the greater the uncertainty in the marketplace about the value of a company's offering, the more important symbolic management 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 announce 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. (Founder, OTHER)

Despite the heightened uncertainty and nervousness that beset international investors following the terrorist attacks of September 2001 in the United States, the founder of TRAVEL negotiated hard with financiers and demonstrated to the various 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-9/11. So they had the wherewithal to still negotiate hard and that was a good sign in my view.” Another investor confirmed, “We test the entrepreneurs very consciously and very actively during the negotiation process. People who lay down and take any terms you’ll offer them are probably not people you want to back.”

This finding is consistent with Pfeffer’s (1981: 46) claim that symbolic action 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.” Under these conditions, potential resource providers want to see partial evidence that their preferences and interests are seriously understood (McGrath and MacMillan, 2000). Because one function of symbolic action is to mitigate uncertainty, we propose that the greater the entrepreneurial uncertainty, the greater the influence of symbolic management on attracting resources (see also Higgins and Gulati, 2003).

DISCUSSION

We have presented empirical findings that show how performance of a symbolic action can help

entrepreneurs acquire resources. We have also shown how ventures that skillfully and frequently performed a variety of symbolic action categories attracted more resources than those who did not. We now theorize further, by drawing on the literature on legitimacy, as to why performing the four categories of symbolic actions—conveying personal credibility, professional organizing, organizational achievement, stakeholder relationship quality—can help entrepreneurs acquire resources.

Rao (1994: 30) has surmised that “legitimacy flows from symbols.” Conceptual studies on the use of symbols in the context of entrepreneurship have built on this insight and evoked legitimacy as important for resource acquisition (Aldrich and Fiol, 1994; Lounsbury and Glynn, 2001). Moreover, as we elaborate below, the literature on legitimacy provides theoretical mechanisms that allow us to explain why different categories of symbolic action can shape different forms of legitimacy, and how increased legitimacy can ease the acquisition of resources. Pfeffer and Salancik (1978), for example, have described legitimacy as an intangible asset that determines the ability of organizations to garner capital and personnel.

First, we propose that enacting symbols of personal credibility can convey a particular form of cognitive legitimacy, which Suchman (1995: 583) calls legitimacy based on “taken-for-grantedness.” Such legitimacy is underpinned by a set of “givens” or taken-for-granted assumptions that submerge other questioning views. Consider, for instance, the belief systems fostered by professional and scientific bodies (Scott, 1994). Our data suggest the presence of cognitive legitimacy when investors assume that the entrepreneurs in our study—as 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 could not discern precisely

what the entrepreneurs knew or if the techniques they applied were appropriate.

Moreover, symbols of personal credibility—as displayed in actions that convey personal commitment to the venture (e.g., TRAVEL's co-founder working for six months without pay or WIRE's employees deferring two months' pay to deal with the venture's cash shortage)—can also convey what Suchman (1995: 581) calls "personal legitimacy," namely, the display of personal drive, conviction, and vision in ways that might disrupt the old social order and initiate a new one. Most people assume that the management team has a strong influence on any company (Hambrick and Mason, 1984) because it represents and shapes the company's culture, often by means of symbolic actions (Pfeffer, 1981). Thus, symbols of the founders' personal credibility are likely to influence the kind of employees recruited, who in turn participate in shaping the company's character (Selznick, 1957).

Second, enacting symbols of professional organizing can enhance what Suchman (1995) calls "structural legitimacy" and "procedural legitimacy." Formal structures and processes (e.g., CLAIM'S "big business" practices) ensure skeptical 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 in the market, symbols of professional organizing can help reassure stakeholders that the "entire *systems* of activity recur consistently over time" and that the venture is "the right organization for the job" (Suchman, 1995: 581).

Third, enacting symbols of organizational achievement (e.g., WIRE's display of industry awards

for its new technology) can enhance what Suchman (1995) calls "consequential legitimacy." According to the rationalist "mythology" of the modern order (Meyer and 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 may have yet to lead to commercial success.

Finally, enacting symbols of stakeholder relationship quality through displays of prestige or personal attention (e.g., TRAVEL's advertisement of first two "big-name" customers or FINA's sending of small gifts) foster what Suchman (1995: 578) calls "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 performance that 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." For example, Higgins and Gulati (2003) showed that recruiting senior managers based on their previous affiliation with prominent organizations enhanced the legitimacy of young biotechnology firms.

To summarize, the categories of symbolic action revealed by our data evoke particular forms of

legitimacy: symbolic actions conveying personal credibility can enhance cognitive and personal legitimacy; actions conveying professional organizing can enhance structural and procedural legitimacy; actions conveying organizational achievements can enhance consequential legitimacy; and actions conveying strong relationships with stakeholders can enhance dispositional legitimacy. Moreover, taken together, these four categories of symbolic action can also shape “exchange legitimacy,” defined by Suchman (1995: 578) as “support for an organizational policy based on that policy’s expected value to a particular set of constituents.” In the context of nascent ventures, various groups of stakeholders may provide resources for different expected economic or symbolic benefits. In addition, individual symbolic actions within the described action categories, such as paying attention to external stakeholders by being particularly responsive to their needs, can foster “influence legitimacy,” which arises when resource holders perceive that the organization is responsive to their larger interests (Suchman, 1995: 578). In sum, the four categories of symbolic actions that we identify from our data help shape the overall legitimacy of the nascent organization and thereby enhance its ability to acquire resources (Zimmermann and Zeitz, 2002).

Our proposed link between symbolic actions and forms of legitimacy provides a theoretically grounded understanding about why symbolic management matters in the early days of the venture. The various forms of legitimacy that are conveyed by the kinds of symbolic action we describe can represent some of the implicit assumptions that resource holders use to make early assessments, under conditions of uncertainty and ambiguity. 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). Previous research found that decision makers evaluate the creative potential of unknown applicants by matching the applicants’ behavioral, physical, and

relational cues with preexisting mental prototypes (Elsbach and Kramer, 2003). Our study suggests a variety of symbolic actions that entrepreneurs can use to increase the odds of matching with resource providers' prototypes.

Beyond the different forms of legitimacy that are shaped by various categories of symbolic actions, why is variety in symbolic action important to resource acquisition? Studies of persuasion have shown that the credibility of a source (e.g., entrepreneur) affects the credibility of the message (Hovland and Weiss, 1951; Petty and Cacioppo, 1986). Because entrepreneurs deal with a variety of resource providers who hold different interests and values, a symbolic action that appeals to one might not appeal to another. The "law of requisite variety" (Weick, 1979) is likely to apply here. Furthermore, enacting a wide variety of symbols is likely to be more effective than limiting one's range, because symbols might be interdependent and reinforce each other's meaning. Entrepreneurial firms need to convey credibility by using many symbols and cannot afford to rely on the effects of only a few.

Finally, frequency in symbolic management is also important, because the extent to which symbolic actions display patterns of congruent symbols that can be observed repeatedly, can convince resource providers that the business is legitimate. There may well be a critical threshold of legitimacy above which the new venture will be better able to acquire needed resources (Zimmerman and Zeitz, 2002), and both frequency as well as variety of performed symbolic actions can help entrepreneurs attain this critical level.

Variation in the Use of Symbolic Management

This leads on to our next question: why do some founders use symbolic management more than

others? If symbolic actions are so important, why don't all entrepreneurs use a large variety of them more frequently? The issue of variability is even more intriguing because our study sample is relatively homogeneous. We cannot answer these questions definitively, but we can offer several possible explanations based on interactions with entrepreneurs both inside and outside our study sample.

First, many entrepreneurs seemed unaware of the need to engage in symbolic actions. Hardly any of our respondents used the word "symbol" in the open-ended interviews. The closest that anyone came to that idea was impression management, presentation skills, or sales skills. 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 symbolic action in connection with incidental feedback from customers and investors. The same MBAs who had taken more courses about analytical financial structuring and business than courses on soft organizational behavior (OB) started to look for courses on sales and presentation within only one or two years of going into business. Third, as we stated earlier, becoming aware of an idea does not ensure that people are willing or able to use it well by adjusting their symbolic actions to various audiences' values and expectations, as reflected in the classic "knowing-doing gap" (Pfeffer and Sutton, 2000). Some entrepreneurs told us that they understood the importance of what they called "networking," or "selling" but were not motivated (willing) to do those things. They were more interested in the intrinsic worth of their products or technologies.

SUMMARY OF CONTRIBUTIONS AND FUTURE RESEACH DIRECTIONS

Unlike prior research, which has examined outsider perceptions of firm quality associated with specific resources that can be moved across firm ties (Stuart, Hoang, and Hybels, 1999), and

which has characterized organizations as a passive conduit through which resources flow (Podolny, 2001), our model depicts the entrepreneur as an active shaper of perceptions (Schoonhoven and Romanelli, 2001), and a potentially skilled user of cultural tool kits (Rao, 1994; Lounsbury and Glynn, 2001). Although scholars have hypothesized about the importance of symbols (e.g., Aldrich and Fiol, 1994; Lounsbury and Glynn, 2001) or empirically highlighted a few symbols relevant to entrepreneurs (e.g., Rao, 1994; Higgins and Gulati, 2003), our empirical study could well be the first that systematically analyzes a wide variety of symbolic actions in nascent ventures, how these actions are performed, and what effect their use has on resource acquisition.

We focus on the nascent period, well ahead of an IPO. This period, although critical, has been under-researched, because it is hard to detect emerging ventures with traditional database searches. We have enriched the entrepreneurship literature by articulating in a textured way four categories of symbolic action to overcome the liability of newness (Stinchcombe, 1965), thereby answering the question of what actions resource-poor entrepreneurs can take to distinguish themselves from other nascent ventures that compete for resources. We show that patterns of symbolic actions (skillfulness, variety, frequency) increase the likelihood of acquiring resources, and propose a theory that explains why and how performing these actions has a differential impact on resource acquisition.

Our study also contributes to the literature on symbolic management. Prior research in that domain has examined how communication in response to an established organization's image affects its later performance (e.g., Sutton and Callahan, 1987; Marcus and Goodman, 1991; Elsbach, 1994) and how symbolic action and communication affect power and control

relationships within firms (e.g., Westphal and Zajac, 1998). We extend the latter scholars' view of symbolic action as verbal pronouncements in alignment with normative values that are not necessarily implemented. In the context of resource acquisition, we define symbolic actions as actions that are performed alongside their intrinsic dimensions, rather than instead of them. In so doing, we hope to restore the full richness of symbolic actions in organization studies.

Recently, sociologists have developed theories on what "agency" means (Emirbayer and 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 why they are effective, drawing particular attention to the importance of symbolic actions. This development could stimulate further research on symbols, including those that are not physical artifacts (Pratt and Rafaeli, 2001). Researchers could explore, for example, the kind of symbol that sometimes provides legitimation and sometimes does not (Glynn and Abzug, 2002; Higgins and Gulati, 2003). Our proposed model can also broaden the scope of research on effective subsets of symbolic actions in narrower contexts (e.g., specific institutional fields, industries, or cultures).

Finally, we also believe that we have enriched the legitimacy literature. A key gap in that literature is limited understanding of "how to go about acquiring legitimacy" (Zimmerman and Zeitz, 2002:421), and especially "what to do [in this regard] if you have little resources" (Lounsbury and Glynn, 2001:560). We have contributed to this literature by proposing four empirically grounded categories of entrepreneurs' symbolic actions that can give rise to various forms of legitimacy (Suchman, 1995). Symbolic management thus represents an effective

means for resource-poor nascent organizations to create legitimacy from scratch. Prior conceptual work in this domain has often focused on certain types of legitimacy such as cognitive and social-political (e.g., Aldrich and Fiol, 1994; Zimmerman and Zeitz, 2002) and then hypothesized general action strategies to manipulate and create them. By focusing on concrete symbolic actions first and then asking what types of legitimacy they can help create, we have provided a distinct mapping of symbolic action categories onto several forms of legitimacy. Our theory development points to those forms of legitimacy that matter differentially for resource acquisition in entrepreneurial contexts, namely personal and cognitive, structural and procedural, consequential as well as dispositional legitimacy.

Despite the contributions that we have described, our research is limited in some ways. Our first interviews started, on average, about two years after the ventures were incorporated, and thus there is a possibility of some recall bias. This bias was reduced with the subsequent interviews, which occurred at shorter time intervals. We also sought to reduce it by basing our analysis not just on the founders' interviews but also interviews with resource holders, as well as more observable and objective data, as we discussed previously.

In addition, 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, such as the quality of human capital, and the cultural, historical, and sociopolitical context: we studied only MBA graduates of a particular business school who founded companies in one city in the UK. Our relatively homogeneous sample might have highlighted the importance of symbolic actions in relation to other factors (e.g., business experience, social capital) that could have been more effectively revealed in more

heterogeneous groups, though it enabled us to discern the link between symbolic management and resource acquisition. In more heterogeneous groups, how important is symbolic management in relation to factors such as technical business skills, analytical intelligence, or social networks? Furthermore, though our study begins to highlight the challenges of symbolic management through the notion of skillfulness, researchers should further explore the conditions that cause excessive or inappropriate symbolic action.

To summarize, this study offers researchers and practicing entrepreneurs a deeper appreciation of the challenges of acquiring resources for emerging firms and how these may be overcome. Creative business ideas are valuable but represent only an entry ticket to this game. Technical and analytical skills are handy (McGrath and MacMillan, 2000), but before entrepreneurs earn the right to become innovators, they must first be able to master symbolic management. 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 management in the early phase of organization building. By enacting symbols effectively, entrepreneurs can shape a compelling symbolic universe that complements the initially weak and uncertain intrinsic quality of their ventures. In this respect, entrepreneurs face the twin challenges of performing skillful symbolic action (to acquire resources) and delivering substance (combining those 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

Case	Business Description	Founder Interviews	Interviews with Others[5]	Interview Total
CLAIM	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)	**7**
FINA	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)	**9**
TRAVEL	Provides online, real-time reservations for the European travel industry; promotes clients to retailers (travel agents and distributors) worldwide, many of whom are market leaders in online travel.	3	5 (Angel investor, co-founder, 2 venture capital investors)	**8**
MARKET	Delivers an integrated online solution for trading among dealer banks; offerings are based on an online trading technology that provides a platform for trading over-the-counter derivatives.	2	5 (2 co-founders, supplier, 2 venture capital investors)	**7**
MOBILE	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)	**4**
WIND	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. Offices in Athens, London, and Washington.	2	4 (Board member, corporate investor, employee, venture capital investor)	**6**
WIRE	Provides wireless telephony and personal digital assistant (PDA) solutions for offices. 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 venture capital investors)	**9**
	Σ	**18**	**32**	**50**

[5] Others include co-founders. Some stakeholders provided more than one interview, therefore, the interview count in each cell of this column may be greater than the total number of stakeholders.

TABLE 2: Illustration of Triangulation of Symbolic Action: Four Examples of Symbolic Action Categories

	Founder	**Partners/Cofounders**	**Investors, Suppliers, Board Members**	**Other Sources**
Conveying personal credibility of entrepreneur: MBA degree (TRAVEL)	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.	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 Peter's background and my track record 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 (Venture Capitalist) 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 of MBA qualifications. The fact he [let us know that he] was from famous business school did help.	
Conveying professional organizing: Customer service process (FINA)	And if somebody calls back they get their answer today. If I get a quote, that sheet will be on e-mail to that guy within 24 hours of being asked. I will have that in hard copy in his hands within 48 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 negative people. There are three keys to our success: trust, timing, and being price competitive. We also try to show ourselves as friendly and helpful. We tried to relate to clients 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 inspired 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.	
Conveying organizational achievement: Industry award (WIRE)	We got this nice little trophy. It was good having competition, because we tried really hard to beat them, and we tried so hard we actually got more votes than anybody else at the whole show. So we		BOARD MEMBERS: The fact that existing investors supported the company in a cash crisis and stuck with it was very much supported by the winning of awards. Could we prove it worked in the marketplace at various points? No, we couldn't. But we needed to get those external endorsements	Company website prominently displays awards won at trade shows and other recognitions. In his presentations

	Founder	Partners/Cofounders	Investors, Suppliers, Board Members	Other Sources
	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.		to help us stay with it. INVESTOR: The founder was a terrific promoter. We won best of show at a couple of prestigious shows, and we were one of *Time Magazine*'s *25 Hottest Start-up Companies* in Europe. We got a lot of those awards.	to resource holders (e.g., investors) the founder displayed the most prestigious awards (e.g., selection in *Time Magazine*'s *Europe's Hottest Tech Firms*) on the first page (title page).
Conveying quality of stakeholder relationships: Prestigious investor (MARKET)	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 was a very imposing kind of 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, we may have got a deal but it may not have been as good a deal.	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.	SUPPLIER: If the lead entrepreneur had 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 are extremely renowned and we were quite impressed because we knew about them prior to the meeting with the founder. It was quite impressive when this venture capitalist turned up in his own private jet. 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. VC INVESTOR: I think the credibility came with the fact that we invested, right. It was all part of the deal. ..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.	Company website touts the venture capital investor as an important partner.

TABLE 3: Ventures' Resource Acquisition (£1 is approximately US$1.80)

	TRAVEL	**FINA**	**WIRE**	**MOBILE**	**CLAIM**	**WIND**	**MARKET**
Date of incorporation	April 1999	October 1999	December 1999	June 2000	March 2000	2000	October 2000
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
Assessment of success in attracting and retaining high quality human capital	***Good** (many motivated people joined, hardly any departures)*	***Adequate to Good** (added a few competent professionals; in line with intended organic growth)*	***Good** (signed on many highly skilled engineers)*	***Low** (shrinking employee base despite efforts to expand the business)*	***Adequate** (few new hires beyond founding team; yet consistent with low fixed-cost approach to starting up)*	***Low** (hired two employees, who caused severe problems)*	***Low** (co-founders departed; high fluctuations)*
Paying customers 6 months after incorporation	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
	TRAVEL	**FINA**	**WIRE**	**MOBILE**	**CLAIM**	**WIND**	**MARKET**
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
Assessment of success in developing the customer base	***Good*** *(according to an investor, company has been "on a roll")*	***Good*** *(steadily increasing deal flow)*	***Adequate*** *(signed on trial customers; yet venture focus was on R&D, not on sales)*	***Low*** *(very disappointing customer response to venture's offerings)*	***Adequate to Low*** *(won some good customers, but much fewer than founder expected)*	***Low*** *(began to develop wind farm sites, but did not sell any)*	***Low*** *(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
Assessment of success in attracting enough financial capital to fund operations and development	***Good*** *(raised significant amounts even in very difficult funding environment)*	***Adequate*** *(largely self-funding; no external funds needed)*	***Good*** *(continued venture capital support helped company through cash crises)*	***Low*** *(lack of success in fundraising beyond angel investor despite efforts to raise much more capital)*	***Low*** *(did not raise as many funds as had expected and as were needed for product and market development)*	***Low*** *(given the very high funding needs of the venture; failed to raise several millions of pounds)*	***Good*** *(raised significant VC funds very early on, and also received later bridge financing)*
Overall progress in acquiring resources (during 30 months after incorporation)*	**Good**	**Good**	**Good**	**Slow**	**Slow**	**Slow**	**Slow**

*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 listed: human capital, customer base (defined in terms of the number of either paying customers or sales), and financial capital. Otherwise, we considered overall progress "slow."

TABLE 4: Contrasting High and Low Skillfulness in Symbolic Action Along Four Dimensions

	FINA (selected evidence + interpretation): Illustration of High Skillfulness in Symbolic Action	**MOBILE (selected evidence + interpretation): Illustration of Low Skillfulness in Symbolic Action**
Reflexivity	FOUNDER: I also have a database where we have accumulated people over the last ten years. It's something in the order of 7,000 people. I try to keep myself in their cognitive memory by sending out electronic Christmas cards to 4,200 people every year. Look, how many people send Christmas cards to their clients? Every time that we've completed a transaction, we e-mail to everybody just to promote and advise them that we have succeeded. **(Considers cash constraints, uses technology to work around them)**	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. **(Reflects on constraints, yet not sure how to work around them)**
Enactment	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. **(Founder aware of and implementing symbolic action)**	FOUNDER: We were just still a bunch of clowns wandering around with PowerPoint presentations. **(Indicates that initially founder was not even aware of factors that enhance credibility)**
Customization	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. **(Founder pays attention to others' perceptions)**	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. **(In the early days, founder failed to take resource holders' perceptions into account; investors expected industry-specific knowledge)**
Complementarity	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.… That sells itself, really. **(Founder combines symbolic action with a personal, face-to-face communication style)**	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. **(Founder realizes now that initial process based on cold-calling potential customers did not work, yet did not consider a more proactive approach; adopted a passive stance instead.)**

TABLE 5: Variety and Frequency of Symbolic Actions in Resource Acquisition

Symbolic Action Denoting:	**TRAVEL**	**FINA**	**WIRE**	**MOBILE**	**CLAIM**	**WIND**	**MARKET**
Personal Credibility							
Personal capability	✓✓	✓✓✓	✓✓✓			✓	✓
Personal commitment	✓		✓				
Professional Organizing							
Professional structure	✓✓✓	✓✓✓	✓✓			✓✓	
Professional processes	✓✓	✓	✓✓✓				
Organizational Achievement							
Partially working product/technology	✓	✓✓	✓✓✓	✓	✓		
Age, size, or performance	✓	✓	✓		✓	✓	✓
Stakeholder Relationship Quality							
Prestige	✓✓✓	✓✓	✓	✓	✓✓	✓	✓
Individual attention		✓✓✓	✓✓				

Notes: (1) Each table entry (check mark) represents one distinct symbolic action (rather than a repeated single action) that was used for the acquisition of one resource. (2) TRAVEL, FINA, and WIRE represent cases in which the entrepreneurs were successful in acquiring resources.