

## DESIGNING LEGITIMACY

### *Expanding the Scope of Cultural Entrepreneurship*

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### ABSTRACT

While the cultural entrepreneurship literature has shown how the stories entrepreneurs tell about their ventures help them attain legitimacy and acquire resources, we still know very little about how entrepreneurs develop their stories or how they change over time. In this paper, we draw upon Donald Schön's research in design studies to conceptualize a novel approach to understanding the dynamics of entrepreneurial stories and to provide a bridge between the cultural entrepreneurship and design literatures. While the design perspective in entrepreneurship research has tended to neglect the role of wider sociocultural processes related to legitimacy, we highlight three insights from Schön's research—iterative prototyping, design worlds, and the artistry of design—that scholars can leverage to cultivate a unique perspective on the entrepreneurial pursuit of legitimacy. We then provide an illustrative example that fleshes out how a design approach may fruitfully guide the study of cultural entrepreneurship processes. Finally, we conclude with a discussion of how a designing legitimacy perspective might seed a research agenda that promises to enhance our understanding of frame resonance and the effectiveness of stories, pivoting, and the construction of entrepreneurial possibilities.

### ACKNOWLEDGEMENTS

The authors would like to acknowledge the helpful comments of Lloyd Steier, Frithjof Wegener, Jennifer Sloan, two anonymous reviewers, and Henrik Berglund provided on previous versions of this manuscript. We also acknowledge the support of University of Alberta's Centre for Entrepreneurship and Family Enterprise as well as that of Canada's Social Sciences and Humanities Research Council.

## INTRODUCTION

Research on cultural entrepreneurship has grown dramatically over the past couple of decades, enhancing our understanding of how entrepreneurial processes are culturally constituted (e.g., Lounsbury and Glynn, 2019). In their original agenda-setting article, Lounsbury and Glynn (2001) observed that entrepreneurs cultivate identity stories that position their ventures in specific institutional fields vis-à-vis other entrepreneurs and established organizations. They theorized that when these identity stories lead to audience perceptions of optimal distinctiveness, they may enhance the perceived legitimacy of a novel venture and facilitate access to resources. Legitimacy is a master concept in organizational sociology that draws attention to how perceptions of more proximate, ground-level activities are fundamentally shaped by general sociocultural beliefs and processes (Suchman, 1995). While there are an assortment of definitions in the literature, in their recent review of the organizational legitimacy literature, Deephouse, Tost, Bundy and Suchman (2017, p. 32) define legitimacy as “the perceived appropriateness of an organization to a social system in terms of rules, values, norms, and definitions.”

Lounsbury and Glynn (2001, p. 559) conceptualize entrepreneurs as “skilled cultural operatives” who pursue legitimacy by shaping how different kinds of audiences understand, evaluate, and reward them (Fisher et al., 2016). To do so, entrepreneurs construct coherent stories that rationalize the purpose and functioning of their new ventures, thereby establishing their organizational identities and making them comprehensible, meaningful, and appealing to relevant audiences (Barry and Elmes, 1997; Czarniawska, 1997; Grimes, 2018; Vaara et al., 2016). While these entrepreneurial stories can be understood as framing devices that package and organize information about nascent ventures by drawing “attention to a few stylized dimensions

of reality, while hiding others” (Giorgi, 2017, p. 713; see also, Benford and Snow, 2000; Goffman, 1974), they are most effective if they are authentic and believable.

Most cultural entrepreneurship research has focused on the outcomes of such stories—mainly how they contribute to the legitimation of new ventures by enabling their acquisition of resources and growth (Gehman and Soublière, 2017; Überbacher, 2014). However, scholars have paid less attention to how entrepreneurs construct stories or how this construction process evolves in an ongoing dialogue with provisional outcomes and feedback effects (Lounsbury et al., 2019; Lounsbury and Glynn, 2019). Investigating the dynamics of such entrepreneurial stories is critical to understanding how entrepreneurs obtain legitimacy from both a practical and theoretical standpoint. Practically, cultural entrepreneurship scholars have an opportunity to provide more insight into the actual practices of entrepreneurs as they navigate the complexities of legitimating their enterprises (Baker and Nelson, 2005; Sarasvathy, 2001). Of course, most entrepreneurial ventures fail, and to the extent that effective storytelling might enhance an entrepreneur’s chance of success, it is a critical yet underappreciated skill (Elsbach, 2003; Gallo, 2018).

To advance our understanding of the processes involved in story construction, we follow recent scholarship in entrepreneurship (e.g., Berglund et al., 2020; Dimov, 2021b; Garud et al., 2008), strategy (e.g., Rindova and Martins, 2021) and routines research (e.g., Glaser, 2017; Wegener and Glaser, 2021) by adopting a design perspective (Schön, 1984a; Simon, 1970; Wegener and Cash, 2020). The design perspective in entrepreneurship has observed that entrepreneurs inherently have to design their products and services in order to successfully bring their innovations to the market (Dimov, 2021) through a “transformational” or “experimental” approach to designing “opportunities” (Berglund et al., 2020). Along similar lines, we highlight

that entrepreneurs actually design “legitimacy” through the stories they tell to gain resources. Moreover, since entrepreneurs operate in an environment that includes multiple stakeholders, competitors, and a broader entrepreneurial ecosystem (Hannigan et al., 2021), they attempt to shape perceptions of their venture by various audiences within the broader socio-cultural context that situates entrepreneurial activities. We thus argue that legitimacy is a crucial end goal for entrepreneurs that is distinct yet complementary to the design science perspective on entrepreneurship that highlights the entrepreneurial design of products and services. Put simply, entrepreneurs design legitimacy by crafting entrepreneurial stories (Berglund and Glaser, forthcoming).

In this paper, we draw on the work of Donald Schön (1984a, 1984b, 1984c, 1988) to develop a framework that can be used to unpack the processes whereby entrepreneurs design legitimacy by creating stories. First, we suggest that designing legitimacy involves story prototyping via an iterative framing process which Schön (1984c) called reflection-in-action. We argue that understanding the processes associated with prototyping can help us better understand how entrepreneurs construct frame resonance. Second, we suggest that entrepreneurs design legitimacy by engaging and navigating between one or more design worlds, which are socio-cultural contexts “entered into and inhabited by designers when designing” that “contain particular configurations of things, relations, and qualities” and “act as holding environments for design knowledge” (Schön, 1988, pp. 182–183). Third, we argue that the process of story construction involves the entrepreneur artistically navigating between different design worlds that provide distinct narrative types, components, and evaluative systems—and that theorizing design worlds can help us better understand the designing legitimacy process.

We begin by synthesizing Schön's theory of designing. We then explicate the connections between his theory of design and the entrepreneurial quest for legitimacy by articulating an extended case illustration of how this framework can describe a typical entrepreneurial venture seeking to acquire resources. We believe that our effort to bridge the literatures on cultural entrepreneurship and entrepreneurial design seeds a broader research agenda that connects what entrepreneurs do to the wider sociocultural dynamics that shape entrepreneurial actions. We close by exploring the implications of our framework on three current conversations in entrepreneurship research: frame resonance and the effectiveness of stories, pivoting, and the construction of entrepreneurial possibilities.

## **FOUNDATIONAL INSIGHTS FROM SCHÖN AND DESIGN STUDIES**

### **Entrepreneurial Prototyping: Reflection-in-Action, Problem Setting and Design Moves**

When entrepreneurs tell stories, they articulate the identity of their venture and elaborate a rationale explaining why their venture will be successful (Martens et al., 2007). During the entrepreneurial process, the entrepreneur often changes the story to account for changes in circumstances (Garud et al., 2014b). To understand this process of adjusting entrepreneurial stories, we draw on Schön's (1984c) concept of reflection-in-action, the process whereby designers prototype artifacts by engaging in problem setting and making a series of design moves. Drawing on observations initially made while studying the world of architecture, Schön (1988, p. 182) argued that "design [is] not primarily a form of 'problem solving,' 'information processing,' or 'search,' but is a kind of making." He observed that architects make "representations of things to be built" that allow them to "experiment at relatively low cost and risk" (Schön, 1988, p. 182). He described how architects make such physical representations under conditions of complexity and uncertainty through iterative and evolving dialogues with the

unique projects being designed. We suggest that entrepreneurial stories function as a narrative argument akin to an architectural representation (e.g., Berglund and Glaser, forthcoming).

According to Schön, designing intrinsically features an experimental style that revolves around a series of “moves” or hypotheses about effective design.

Architectural designing can be understood as a kind of experimentation. The designer asks himself, in effect, “what if I did this?”, where “this” is a move whose consequences and implications he traces in the virtual world of a drawing or model. Making a design move in a situation can serve, at once, to test a hypothesis, explore phenomena, and affirm or negate the move. (Schön, 1984b, p. 132)

When a designer makes such a move, it must be evaluated. Schön suggested that:

the very invention of a move or hypothesis depends on a normative framing of the situation, a setting of some problems to be solved. In the evaluation of a move, the designer asks whether he gets what he intends and whether, on the whole, he likes what he gets. (Schön, 1984b, p. 132)

This appreciative system, with its “likings, preferences, values, norms and meanings” is the means through which “design experimentation can achieve a kind of objectivity” (Schön, 1984b, p. 132). Designing thus occurs as designers make “moves” with representational objects that enable them to prospectively evaluate whether specific designs will or will not meet their objectives. By making moves on an object, the designer “shapes the situation, in accordance with his initial appreciation of it, the situation ‘talks back,’ and he responds to the situation’s back-talk” (Schön, 1984c, p. 78). We posit that entrepreneurial stories function similarly: they serve as a means through which the entrepreneur can prospectively evaluate whether particular “moves” will or will not meet their objectives.

A foundational part of this design process involves how the designer perceives the situation. Whereas traditional, rational, choice-inspired approaches to understanding social action focus on how actors solve problems (perhaps through the scientific method and Popper-like hypothesis testing), Schön highlighted that the process of setting the problem is a crucial action

in design activities, because typically “the situation is complex and uncertain, and there is a problem in finding the problem” (Schön, 1984c, p. 129). This complex situation creates a challenge: “Because each practitioner treats his case as unique, he cannot deal with it by applying standard theories or techniques ... and because he finds the situation problematic, he must reframe it” (Schön, 1984c, p. 129). A central designing move thus involves the process of problem setting, “in which, interactively, we name the thing[s] to which we will attend and frame the context in which we will attend to them” (Schön, 1984c, p. 40). For instance, Schön (1984b) illustrated this process by observing an interaction between a teacher and an architectural student engaged in a project of designing a dormitory for the MIT campus. The student had created an initial design that did not work because it was not comprehensible to observers. During the interaction with his teacher, the student explained that he had designed the dormitory using a frame of a “spaghetti bowl;” the teacher was able to resolve the challenges associated with the student’s design by applying a frame that featured a more comprehensible “hierarchical order.” Understanding the differences between design frames is critical to understanding the process of moves used in the design process.

Existing entrepreneurship research suggests that entrepreneurs develop their innovation in a manner that rationally exploits an existing opportunity (e.g., Shane and Venkataraman, 2000). Although other perspectives highlight the importance of understanding how opportunities are created (e.g., Alvarez and Barney, 2007) or designed (e.g., Berglund et al., 2020), Schön’s work suggests that a key activity in designing stories is that entrepreneurs engage in a problem setting process in which abstract ends (e.g., “generating a valuable business” or “obtaining support from diverse stakeholders”) unfold through a series of designing moves. Put simply, an

entrepreneur constructs and re-constructs prototypes of stories to attain legitimacy through the iterative process of problem setting.

This concept of entrepreneurial prototyping is particularly important when we seek to understand how entrepreneurs pursue legitimacy. When entrepreneurs seek legitimacy, they do so in the context of a broader sociocultural context that features the differentiated and distinct sensitivities of varied audiences (Greenwood et al., 2011). In order to understand how an audience may evaluate an innovation, an entrepreneur will prototype one or multiple versions of their story to evaluate stakeholder reactions to their story. A designing legitimacy approach allows scholars to attend to these broader sociocultural dynamics so that we can blend insights from the design and cultural entrepreneurship literatures—usefully focusing on how entrepreneurs iteratively prototype stories in dialogue with varied audiences.

### **Entrepreneurial Audiences: Design Worlds, Types, and Rules**

When entrepreneurs create stories, they are telling stories with an audience in mind (Elsbach, 2003; McDonald and Bremner, 2020) that can target investors (Huang, 2017; van Werven et al., 2019) or stakeholders more broadly (van Werven et al., 2015). Understanding the processes undergirding story construction requires the theorization of the role of various audiences in storytelling. As Hudson (2008, p. 254) argues, organizations exist in “the nexus of multiple social audiences with often disparate and conflicting values, ideologies, or belief systems” (see also Albert and Whetten, 1985). Design studies provide a beneficial concept that distinguishes different kinds of audiences by the “design worlds” that they inhabit. Schön (1988, p. 182) defines a design world as “an environment entered into and inhabited by designers when designing” that “contain[s] particular configurations of things, relations, and qualities” that “act as holding environments for design knowledge.”



Thus, design worlds are associated with different audiences (or communities of practice) responsible for making or doing different things. For instance, in the architectural world, architects might be viewed as designers, and particular architects might design particular types of buildings. A design world exists when the group (e.g., members of a profession) responsible for creating a product or providing a service adheres to standards to evaluate the appropriateness of that product or service (Abbott, 1988; Thornton et al., 2012). Although there is not a professional body responsible for monitoring entrepreneurial innovations, there are audiences that serve as gatekeepers that are audiences of the entrepreneur. For instance, entrepreneurs seeking funding tell their stories to investors such as family and friends, angels, venture capitalists, or banks; entrepreneurs selling their novel products and/or services tell their stories to prospective customers. We suggest that these audiences inhabit different design worlds relevant to entrepreneurial storytelling.

Design worlds have prototypical types that shape design. To illustrate, Schön suggested that architects designing a project might draw on concepts from the design world of Vitruvius, a famous architect from the first century B.C.: “The building types codified by Vitruvius on the basis of his analysis of the design practice of his time shaped designing and building in the West for hundred[s] of years. An example of a Vitruvian type [is] a house” (Schön, 1988, p. 183). Similar to categorical prototypes or exemplars (e.g., Rosch, 1978), the selection of a design world influences the types of objects considered in the design process. Types are a critical source of leading ideas and are often used to make design situations coherent. We posit that particular story types are associated with particular design worlds in entrepreneurship. For instance, a “friends and family” investor might have types of stories that differ related to providing investments to support close friends or family or investing because of a potentially highly

lucrative deal; similarly, banks may expect different types of stories that can be told depending on the nature of the venture.

What makes the design world and its types particularly important, however, is that the prototypical types of a design world also feature “rules” that are used by designers “as they reason their ways to moves, draw out the consequences of possible moves, make and evaluate design decisions” (Schön, 1988, p. 185). To illustrate how rules are associated with types, consider

a Vitruvian type [of house] and an associated rule: “In a house, the standard of symmetry—the part from which all other parts are to be calculated—is the atrium; it may have one of three different ratios of length to width: 5:3, 3:2, and the ratio of the diagonal of a square to its side” (Schön, 1988, p. 184).

Thus, the relationship between the types of design worlds and rules is very important: in addition to serving as a source of leading ideas that make a situation coherent, types also function as a starting point for knowing design rules, guide the selection of rules, and can challenge and correct rules (Schön, 1988).

We thus argue that design worlds are a helpful underlying construct that entrepreneurs draw on when they craft stories to design legitimacy in order to obtain resources. Specifically, in addition to serving as a representation of a potential audience of a story, the design worlds of investor types such as friends and family, angels, venture capitalists, and financial institutions also populate the institutional infrastructure that undergirds the nature of the content and arguments embedded in stories. To sum up: when entrepreneurs design stories to attain legitimacy, they construct their stories with conceptual infrastructure drawn from types of investors and/or customers.

## **The Entrepreneurial Artistry of Designing Legitimacy**

Entrepreneurship is a journey that unfolds over time (e.g., Garud et al., 2018; McMullen and Shepherd, 2006), and understanding the processes of construction of entrepreneurial stories requires a perspective that allows us to take such temporal dynamics into account. Schön (1984c, p. 129) offers a helpful conceptualization of this by suggesting that this overall design process can be described as “a reflective conversation with a unique and uncertain situation.” Designers continually reframe situations because adopting a new frame can provide “a direction for reshaping the situation” from which “the practitioner then takes the reframed problem and conducts an experiment to discover what consequences and implications to be made to follow from it” (Schön, 1984c, p. 130). He continued by noting that:

In order to see what can be made to follow from his reframing of the situation, each practitioner tries to adapt the situation to the frame. This he does through a web of moves, discovered consequences, implications, appreciations, and further moves. Within the larger web, individual moves yield phenomena to be understood, problems to be solved, or opportunities to be exploited. (Schön, 1984c, p. 130)

The designer’s interaction with the situation produces unintended consequences “which give the situations new meanings—the situation talks back, the practitioner listens; and as he appreciates what he hears, he reframes the situation once again” (Schön, 1984c, p. 130). This process is often “an artistic performance” that is based on a “capacity to hold several ways of looking at things at once without disrupting the flow of inquiry” (Schön, 1984c, p. 129). Schön’s description of the design process resonates with entrepreneurship, as entrepreneurs typically do not have a clear understanding of what their end product or service will be, and they adapt to changing and unfolding circumstances (Garud et al., 2018).

The various moves made during the design process occur because of the various types that exist in the invoked design worlds: “The practitioner has built up a repertoire of examples,

images, understandings and actions” (Schön, 1984c, p. 137). This repertoire fundamentally shapes the design process.

When a practitioner makes sense of a situation he perceives to be unique, he sees it as something already present in his repertoire. ... [He sees] the unfamiliar, unique situation as both similar to and different from the familiar one, without at first being able to say similar or different with respect to what. (Schön, 1984c, p. 138)

This process is critical because “it is our capacity to see-as and do-as that allows us to have a feel for problems that do not fit existing rules” (Schön, 1984c, p. 139)—as is the case in almost all design situations. To evaluate the utility of a particular frame, a designer engages in iterative framing and reframing activities that celebrate surprise and unintended consequences.

Through the unintended effects of action, the situation talks back. The practitioner, reflecting on this back-talk, may find new meanings in the situation which lead him to a new reframing. Thus he judges a problem-setting by the quality and direction of the reflective conversation to which it leads. This judgment rests, at least in part, on his perception of potentials for coherence and congruence which he can realize through his further inquiry. (Schön, 1984c, p. 135)

As a process, part of the objective of the design activities is to “lead to a continuation of the reflective conversation” (Schön, 1984c, p. 136). Rather than a source of disruption, designers view surprises as occurrences that enable them to assess the situation through reflection-in-action more effectively.

This process applies to entrepreneurship. For example, the entrepreneur experiences the need to tell stories to different audiences or design worlds at different points in time. Early in the entrepreneurial journey, the entrepreneur may focus on gaining “traction” by enrolling interest from relevant stakeholders (Akrich et al., 2002); later, the entrepreneur may have to tell different stories to connect to audiences that provide resources (Martens et al., 2007). The stories created are different, but may also overlap—and entrepreneurs take feedback from stories told to one audience and integrate it into stories told to another (Chapple et al., forthcoming).

To ultimately evaluate the effectiveness of different designs, Schön (1984c, p. 145) adopted a “generic” perspective on experimentation, highlighting that “to experiment is to act in order to see what the action leads to.” He highlighted three different types of experiments that designers perform:

- An *exploratory experiment*, “when an action is undertaken only to see what follows, without accompanying predictions or expectations” (p. 144);
- A *move-testing experiment*, when the designer “takes action in order to produce an intended change” (p. 145); and
- A *hypothesis testing experiment*, not necessarily in the scientific sense, but recognizing that the experimenter is in the situation and “the action by which he tests his hypothesis is also a move by which he tries to effect a desired change in the situation, and a probe by which he explores it. He understands the situation by trying to change it, and considers the resulting changes not as a defect of experimental method, but as the essence of its success” (p. 150). (Schön, 1984c, pp. 144–150)

The designer thus uses these types of experiments to validate or invalidate the effectiveness of the frames and the moves selected. These experiments are often preferably done virtually, as “[the designer’s] ability to construct and manipulate virtual worlds is a crucial component of his ability not only to perform artistically but to experiment rigorously” (Schön, 1984c, p. 156).

Manipulating virtual worlds is how a designer displays artistry.

Virtual worlds are contexts for experiments within which practitioners can suspend or control some of the everyday impediments to rigorous reflection-in-action. They are representative worlds of practice in the double sense of “practice.” And practice in the construction, maintenance, and use of virtual worlds develops the capacity for reflection-in-action which we call artistry. (Schön, 1984c, p. 161)

The role of experimentation is central in entrepreneurship, as experimental methodology is at the heart of entrepreneurial practice frameworks such as the lean startup (Blank, 2013; Ries, 2011), and has been identified by the design literature in entrepreneurship (Berglund et al., 2020; Dimov, 2021; Romme and Dimov, 2021) as being particularly important in the development of entrepreneurial products and services. However, the notion of experimentation in practice differs from traditional scientific, ideal-typical modes of

experimentation, and as such, Schön's design framework espoused here allows for deeper exploration into the mechanisms explaining how entrepreneurs create stories to pursue the goal of legitimacy. Put another way, entrepreneurs engage in many different types of experimentation such as those articulated by Schön as they construct, tell, and revise stories to obtain support from diverse stakeholders—not as an overall “approach” to experimentation, but as a processual path involving different types of experiments aimed at distinct audiences.

In summary, this iterative process of experimentation is intertwined with the artistic choices made as the designer reflects on the situation. Initially the options are open, but as the situation progresses, “his choices become more committing; his moves, more nearly irreversible” (Schön, 1984c, p. 163). This resonates with how the paths taken on entrepreneurial journeys begin with many possibilities and narrow as the journey progresses (Garud et al., 2014a).

### **DESIGNING LEGITIMACY: AN ILLUSTRATIVE CASE STUDY**

To provide a concrete illustration of how these entrepreneurship design principles derived from Schön's design studies insights apply to cultural entrepreneurship, we use a simplified illustrative example of two fictional entrepreneurs, Stephanie and Pat, who promoted an innovative venture called “CloudWidget.” Our example is not meant to provide a comprehensive analysis about how legitimacy is designed, but rather to further flesh out the kinds of processes that can be illuminated by integrating the cultural entrepreneurship and design literatures. Our illustration focuses on describing the temporal unfolding of CloudWidget's efforts to attain legitimacy by constructing stories, from the conception of their idea to the realization of a stable business model. We situate our example primarily in the context of two particular design worlds—“beta” customers and angel investors—which feature publicly available resources that help us illustrate design principles relevant to the entrepreneurial process. We show how the

entrepreneurs moved in and across design worlds as they artistically crafted and recrafted prototypical versions of their stories to design legitimacy for their innovative venture.

### **The First Story: The Conception of CloudWidget and Obtaining “Beta” Clients**

CloudWidget was the initial brainchild of two childhood friends, Stephanie and Pat, who knew each other in high school but had taken dramatically different career paths. Stephanie studied economics and had accumulated a significant amount of business experience initially working for corporations and subsequently working for a niche consulting firm in the widget industry. Pat was less inclined to academic pursuits but loved computer programming and ended up working in a variety of technical roles, ranging from an IT manager for a mortgage financing company, to most recently, a product development manager for a large software firm. These distinct backgrounds provided Stephanie and Pat with different perspectives on their entrepreneurial venture.

Stephanie had the initial vision for a product. As a consultant, she had observed that many of her clients created bespoke Excel spreadsheets to track information related to their sales pipelines and used idiosyncratic Word documents to draft proposals for customers. Sales personnel in the widget industry had to create many quotations each week. Because they typically relied on “market” pricing, they often quoted work without estimating project profitability and without understanding how the work would impact their production capacity. Moreover, many of her consulting clients struggled to create a collaborative sales process; individual sales professionals often failed to communicate with other team members about overlapping projects. Management also struggled to implement centralized pricing control processes. To address these challenges, Stephanie brainstormed the possibility of creating a novel software solution that would overcome these problems. She discussed her idea with Pat,

and together they agreed that creating a software sales tool for the widget industry was an exciting opportunity that could enable both of them to create their own successful business.

The first challenge that the entrepreneurial duo encountered was obtaining initial customers to validate their vision for the product. This challenge presented them with a puzzle, as they did not yet have the resources to develop software. To solve this puzzle, they conducted some in-depth interviews with five of Stephanie's consulting clients, and subsequently developed an intermediate "bridge" solution to a more sophisticated software approach. Specifically, they came up with a means of standardizing the process in Microsoft Excel, allowing users to track a project from beginning to end in an Excel format that did not really function as software, but was a substantial improvement relative to the existing ad hoc approach to solving this problem.

Stephanie and Pat worked together to craft a sales pitch for these customers. Stephanie provided contextual information about the customers' particular problems based on her experience working with them. Pat provided insight from her experience in technical and software sales, both explaining the utility of a short-term Excel-based solution, and also articulating a long-term technical vision for the product. Stephanie then crafted an initial story in a PowerPoint presentation for her five customers, suggesting that the entrepreneurial venture would provide them with a streamlined method of tracking their sales pipelines, quotations, and forecasted backlogs through a comprehensive solution that would initially take the form of a sophisticated Excel spreadsheet. They offered this package to each customer for an initial development fee of \$7,500. This package was a low-risk investment for beta customers, who would obtain a working version of the product without any recurring costs. Stephanie and Pat offered this solution to their five initial customers at a substantial discount, highlighting the efficiency benefits that would be realized even from the Excel solution. They were able to



establish relationships with two beta customers (mostly due to the strong relationships Stephanie had built with them during a previous multi-year consulting contract), but to close the deal they had to throw in some customized “free consulting work” to evaluate and restructure the companies’ pricing practices.

This first story—the pitch that Stephanie and Pat provided to the prospective beta customers—was a success: they realized their objective of pulling together resources to solve a problem. We summarize the creation of this entrepreneurial story in Figure 1. The entrepreneurs had to tell a story, and they developed a prototype of the story (the white circle at the center) by building on concepts derived from the intersecting design worlds (the colored circles) of the beta customers and their personal backgrounds. We observe that the properties or characteristics of the beta customers’ design worlds might reflect an appreciative system featuring (a) low risk to the customer, (b) the ability for an innovative product to solve a particularly tough problem, and (c) a high reliance on relational trust. In our story, some of these design worlds are partially overlapping, but others draw on concepts from different, foreign design worlds.

Note that the notion of entrepreneurial opportunity, as conventionally used in the entrepreneurship literature, does not effectively capture what is happening. There is no clear, unambiguous opportunity that exists. One might argue that CloudWidget is in the process of creating or designing an opportunity, but in a more grounded sense, Stephanie and Pat are much more focused on co-designing a narrative with a key audience that will generate positive perceptions (i.e. legitimacy) about the CloudWidget team and their product. The actual product is materially important, but many well-designed and functional products fail. At these early stages of a venture where a product is not fully worked out, it is much more important that key audiences believe in the people that comprise the new venture and buy into the narrative that is

being co-constructed about a future where a well-functioning product will exist and will satisfy prospective customers. That is, designing legitimacy is at the core of what people more abstractly refer to opportunity creation—and understanding these cultural processes provides a complementary perspective that can advance our understanding of the design of entrepreneurial products and services.

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### **Interlude: Needing to Design a New Story**

Stephanie and Pat then successfully deployed the product to the two beta companies. They realized that could build a bigger business: their idea could potentially solve a problem shared by many other organizations in the industry. However, to realize this opportunity, they would need to obtain more resources. Specifically, they would have to develop the software functionality of the product by adding additional functionality that would enable the software to serve an “enterprise” audience—and doing this outstripped their ability to fund (or “bootstrap” in colloquial entrepreneurship terms) product development. They recognized that in order to grow they needed to hire a programming team of six to seven developers, and to establish a sales team to develop marketing collateral and present the product to potential customers. They estimated that building this infrastructure would cost about \$1 million per year, their initial “burn rate.” Additionally, Stephanie and Pat realized they would need to dedicate more of their own time to the venture to get it off the ground. They could no longer meet their personal expense needs moonlighting for the entrepreneurial venture while making ends meet from the salaries earned from their day jobs. Stephanie and Pat thus entered a second phase defined by a new resource problem: How could they generate a significant infusion of \$1 to \$2 million in capital so they could continue to develop their business plan? It is important to observe that this need to develop

a new entrepreneurial prototypical story does not have anything to do with the opportunity of the product and service per se: it is about designing a story to gain legitimacy from their stakeholders.

### **The Second Story: Raising Money to Create a Scalable CloudWidget Product**

Stephanie and Pat began by holding a strategic planning meeting to reflect on the strategic context of their business seriously. They recognized that their entrepreneurial venture was situated in a broad ecosystem. First, there were widget manufacturers, their potential customers. Second, there were companies that provided industry software solutions (e.g., one software company produced an enterprise resource planning system used by 60–65% of manufacturers in the widget industry), but current offerings did not include sales solutions. Third, there were general cloud-based solutions such as Salesforce.com that provided loosely similar products, but they were not customizable to meet the unique needs of the widget industry.

They then looked at different sources of possible funding that would go beyond their initial plan of “bootstrapping” to self-fund their operations through customer revenue. For example, they could try to obtain a traditional bank or credit union loan. Alternatively, they could try to obtain investments from “friends and family”—people they knew and trusted who could provide them with seed funding. Or, they could approach “angel” investors—or even go straight to venture capitalists. Each of these different providers of financial capital would be looking for something slightly different, and each of these financiers could also provide the CloudWidget entrepreneurs with different resources (and impose different accountabilities).

Stephanie and Pat decided to go the angel investor route. They were explicitly intrigued by the prospect of partnering with a local angel investment group they had heard about in Southern California, the Tech Coast Angels (TCA, [www.techcoastangels.com](http://www.techcoastangels.com)). During their

research, they learned that TCA had 425 members across four regional networks in Southern California, and had created three different angel investment funds. TCA's goal was to "fund and help start-ups at the seed, bridge, and early A-round" (Tech Coast Angels, 2021a). TCA had invested "in excess of \$250 million ... in more than 450 companies since 1997" that had, in subsequent rounds, "raised more than \$2.1 billion in additional investment capital" (Tech Coast Angels, 2021a). TCA's goal is to generate "exits" for their angel investor members that would generate healthy returns (i.e., at least 10x) on their investments. Stephanie and Pat found TCA attractive because the organization offers not only funding resources, but also experience, as their members have "diverse industry backgrounds, functional expertise, and management experience" and also have executives "who have built companies and have walked in your shoes" (Tech Coast Angels, 2021a). Moreover, TCA actively participated in a broader group called the Angel Syndication Network that represented over 1,500 angels and more than \$1 billion in direct investments.

Stephanie and Pat observed that TCA had invested in many different idiosyncratic businesses. For example, TCA-funded entrepreneurs had launched ventures engaged in a wide range of activities, including (Tech Coast Angels, 2021a): "therapeutics for neurodegenerative diseases"; a "PTP network for sharing and renting private EV charging stations"; a "food supply SaaS platform offering real-time intelligence"; "in vivo CART products that directly reprogram immune cells"; "whole coconut smoothies"; and "leveraging 3D technology for drill-free dental implants." Although these businesses were very different, TCA seemed to organize their investments by industry. More than 50% of their recent investments were in life sciences and software, but they also had invested in companies focused on consumer internet services, hardware, consumer products, cleantech/industrial services, and general business services. They

also differentiated between initial seed investments and follow-on investments, and between different developmental stages of new ventures (e.g., R&D, prototype/proof of concept, product development, shipping/live, revenue, and expansion). Overall, it seemed like TCA preferred revenue and expansion stage businesses in the software and life sciences industries, and because CloudWidget's business story was essentially a software story, the organization seemed like a great fit.

Stephanie and Pat did some research to figure out how to tell their story. Fortunately, TCA published some materials that helped the entrepreneurs identify criteria that the angel investors liked to see in an investment pitch (Tech Coast Angels, 2021b):

- A strong management team, and “if the team is incomplete, we expect you to recognize who is needed to round out the team”;
- Technology that solves pressing needs—“ideally, the company will have revenue and a strong sales pipeline”;
- Market presence or niche dominance and high growth potential;
- Sustainable competitive advantages;
- Exceptional ROI; and
- Clearly documented use of funds.

As a result of their research, Stephanie and Pat decided to retell the CloudWidget story to communicate a message that the TCA group would be interested in hearing and funding.

The first part of the process required them to fill out an application on the internet and create a pitch deck, an investor PowerPoint presentation that materially represented the story that they needed to communicate to investors. TCA provided a “structure” for the story, highlighting that they needed to: identify a problem; describe their solution/technology and its features and benefits, their business model, the market opportunity, and their competition; provide financial projections and associated organizational details, and evidence of “traction” or the potential success of their entrepreneurial idea; and describe their desired outcome. Stephanie and Pat constructed their pitch based on some of the materials that they had used to secure their beta

customers, but also created new materials after carefully reviewing the TCA website. They paid particular attention to TCA's recommendation to tell their story in an individualized manner: "Every company has a unique story and personal way of telling it, the TCA guidelines are an outline for pertinent data we will be using in your presentation." They noted how TCA emphasized that their template was meant to be used as a starting point: "use the outline as a tool to prompt you to include important data in your story." Following these recommendations, Stephanie and Pat created a new pitch deck and submitted it.

After about a week, they received the news that they had been invited to make a pre-screening presentation. This virtual "elevator pitch" would take about 10 minutes and would be followed by a brief question and answer session. A few select angel investors with experience in either the software industry or the general manufacturing industry in businesses similar to those in the widget industry would be in attendance, along with a few generalists. Stephanie and Pat refined and presented the CloudWidget pitch and elicited a certain degree of interest. The investors liked the idea and were impressed by the quality of their presentation. Although the investors acknowledged the quality of the team and the potential opportunity, some of them questioned whether CloudWidget had a sustainable competitive advantage that would drive a high return on investment. Skeptical members of the audience asked what was preventing Salesforce.com or a large ERP company specialized in their niche from entering the space and "knocking [CloudWidget] out." Overall, however, there was enough interest in CloudWidget to advance to the next round of the screening process, which involved making a presentation to a broader TCA audience.

Stephanie and Pat did their best to modify their presentation and create a new prototype of their story based on this feedback. They mainly relied on "informal" feedback about how to

strengthen a few key sections of their narrative provided by a couple of angels who were very interested in the space. Their revised presentation went well: approximately five angels expressed serious interest in CloudWidget, and TCA initiated its due diligence process. Although concerns remained regarding the sustainability of the venture's competitive advantages, there was enough interest in the widget industry and in the entrepreneurs' deep expertise for TCA to move forward with the screening process.

As they entered the due diligence phase, there was a lack of consensus among the angel investors. One of the angels liked the opportunity, believing that the entrepreneurs' deep knowledge of industry workings could be leveraged to cultivate a sustainable competitive advantage. However, four other angels felt that the findings that emerged from due diligence confirmed their concern that CloudWidget's competitive advantage was not sustainable. Because Stephanie and Pat did not have a patent, nothing could prevent another organization from replicating the technology and taking over the market. The skeptical angels also believed that there would be too much work associated with the sales process, as it was not a product that could be scaled to other organizations quickly. One of the four skeptical angels noted that CloudWidget could be a "great lifestyle business," meaning that the business could be financially lucrative for the two owners. This comment seemed to resonate with the other angels—even the more positive investor. They explained: "Every business isn't a business that can provide investors with a 10x exit. You have a great management team, and a good product, but we don't see how a \$1 million investment for a portion of your company is likely going to turn into a \$10 million return." Although the TCA angels ultimately decided not to invest in CloudWidget, they suggested that Stephanie and Pat continue to bootstrap, projecting that the entrepreneurs could eventually make \$1 million in annual income for them as the owners of the business.

The second story, the pitch to TCA for additional funding resources, was not directly successful. However, the need for additional resources had required the entrepreneurs to engage in other design worlds (see Figure 2). Specifically, they moved from the world of the beta customers, which focused on idiosyncratic problems, to another design world that could provide them with access to additional resources. They could have chosen several other design worlds, but they had decided to appeal to angel investors. This selection of a particular design world ended up fundamentally shaping their story.

----- Insert Figure 2 about here -----

Note that the model in Figure 2 begins with the story created in Figure 1 for the beta customer design world. However, resourcing needs necessitated the design of a new story. Several design worlds could have been chosen: friends and family, angel investors, venture capitalists, banks, etc. In our example, the entrepreneurs situated themselves in the angel investor design world. Nevertheless, these worlds intersect, and it is possible to draw on different design worlds simultaneously when crafting a story. For instance, although we have told this story as a shift from an entrepreneurial story focusing on an audience of beta customers to a story focusing on angel investors, entrepreneurs may tell multiple stories to multiple audiences.

### **Postscript: A Stepping Stone to Another Story**

After receiving the news that TCA was not going to provide funding, Stephanie and Pat took a step back. Should they approach another investor, or perhaps a bank or lending institution? Should they try to generate more customers and then go back to the angel investors? Should they focus on their day jobs? The second iteration of the story was informative, but it was not the end of their entrepreneurial journey. Rather, it marked the beginning of the process of crafting their next story as they continued their quest to become legitimate entrepreneurs.



It is also important to observe that this new prototypical legitimacy story has the potential to substantively shape the development of the actual product and service. For instance, the angels might provide unique ideas about new features of products and services to the entrepreneurs; or the act of developing a PowerPoint presentation based on the TCA template might challenge the business model or economic logic of their innovation and stimulate the creation of a new entrepreneurial prototypical legitimacy story.

### **IMPLICATIONS FOR RESEARCH ON CULTURAL ENTREPRENEURSHIP**

Understanding the processes of designing legitimacy offers significant potential to better understand the entrepreneurial journey, as has been suggested by a number of scholars (e.g., Garud et al., 2014b; Lounsbury and Glynn, 2019). In this paper, we have drawn on the work of Donald Schön to develop a conceptual infrastructure that can be used to understand the processes by which entrepreneurs design legitimacy by creating stories. Specifically, we first suggest that understanding stories is best conceptualized in terms of the entrepreneur creating prototypes of stories. Creating prototypes requires entrepreneurs to engage in problem-setting, where they are not just trying to exploit an opportunity, but where they actively construct a problem and an opportunity at the same time. The prototypical stories enable the entrepreneur to test different potential ideas for how to advance and cultivate their innovation at a low cost. We then suggest that entrepreneurial audiences can be understood as being representatives of distinct design worlds. Unlike traditional notions of audience, we highlight that design worlds provide entrepreneurs with types and rules for story construction that materially shape the way their story unfolds and develops. Finally, our model shows how entrepreneurs artistically evaluate their stories through different types of experiments that help them to attain legitimacy.

We believe that our design studies perspective on attaining legitimacy by crafting stories has several implications for cultural entrepreneurship research and for the design perspective on entrepreneurship. We outline three possibilities below but believe many other implications can be drawn.

### **Frame Resonance and the Effectiveness of Stories**

Despite the many cultural entrepreneurship studies that document the importance of stories to the success of entrepreneurs (e.g., Martens et al., 2007), we still have little understanding of the mechanisms that undergird the crafting and re-crafting of stories so that they resonate with key audiences (Lounsbury and Glynn, 2019). Theoretically, a focus on the construction of stories enables us to zoom in on the processes by which entrepreneurs are able to appeal to different audiences. Lounsbury and Glynn (2019) argued that we know very little about how entrepreneurial stories resonate with key audiences—that is, how they “match or align with the audience’s beliefs, values, aspirations, or ideas” (Giorgi, 2017, p. 712). While the concept of resonance has been applied most often to the study of frames in social movements, Cornelissen and Werner (2014) argued that it has more general utility in understanding processes of legitimation and audience receptivity. Of course, entrepreneurs also must navigate the institutional complexity associated with trying to satisfy diverse audiences (Greenwood et al., 2011). Can they tell one overarching story to all audiences or do they tell stories that are customized to different audiences? How much do they emphasize the distinctiveness of their enterprises relative to their attempts to more generally legitimate their innovations (Navis and Glynn, 2010)? Research on the promise and perils of emphasizing distinctiveness has yielded mixed findings and requires more systematic research into the processes of story construction (Zhao et al., 2018).

Prior research on frame resonance from social movements suggests that stories need to be credible, commensurable, and have narrative fidelity (Benford and Snow, 2000; Snow and Benford, 1988). Recently, researchers have begun to apply these concepts to entrepreneurship by unpacking frame resonance, i.e., explaining how different types of arguments have different persuasive influences (van Werven et al., 2015). For example, van Werven et al. (2019, p. 205) showed how specific rhetorical strategies such as “talking as if the venture’s future product or performance is present” or “making explicit claims about the present state of the product and market” influence the plausibility and resonance of stories.

However, in explaining frame resonance, researchers have examined arguments as fixed objects. In practice, however, entrepreneurial pitches unfold and develop over time (Garud et al., 2014a). Thus, we argue that it is necessary to adopt a processual perspective (Langley, 1999; Wegener and Cash, 2020; Wegener and Lorino, 2020) to more fully explain how entrepreneurs design legitimacy by constructing stories. In a demonstration of the potential leverage that may come from adopting a processual perspective on stories, Chapple, Pollock and D’Adderio (2022, p. 789) showed that there is a substantive difference between early-stage stories and later-stage stories that is generated through mechanisms of “probing and problematizing the story” and “collective adjusting and reconciling of the story.”

We believe that our design perspective can fruitfully guide research that explains how stories are created and evolve, as it focalizes the ways in which key audiences may be engaged in ongoing co-construction processes. Specifically, the processes undergirding the co-construction of stories may be influenced by strategic design efforts that involve intentional dialogue with particular people and organizations, as well as more informal feedback. Because of this, the foundational insights we import from design studies—iterative prototyping, design worlds, types

and rules, and the artistry of design actions—can be used to develop this processual understanding of frame resonance.

For instance, given our discussion of how different kinds of audiences may be associated with distinct design worlds, we believe that a fruitful agenda could focus on understanding the nature of different design worlds that a new venture engages. Potential research questions include: What is the extent of audience heterogeneity in a design world? Are some members of an audience more active or influential in a design world? How do the members of a new venture engage a design world in their efforts to construct an identity story? How do the characteristics of a design world and the processes of constructing a story tailored to it vary across different kinds of ventures and design worlds? What kinds of design processes generate more distinctive stories? In thinking about the need to engage multiple design worlds simultaneously, do new ventures tend to cultivate one overarching story for all audiences, or do they customize stories for different audiences? Do stories aligned with the design world tend to get funded more, or do stories that are too close to design world concepts seem more artificial? By unpacking such processual questions, we may be better able to understand how these processes generate different kinds of stories and different outcomes and contribute to literatures on cultural entrepreneurship and the design perspective on entrepreneurship.

### **Pivoting**

While the notion of “pivoting” abounds in the literature on entrepreneurship (e.g., Grimes, 2018; Hampel et al., 2019; Kirtley and O’Mahony, forthcoming; McDonald and Gao, 2019), we know very little about the processes whereby the identity stories of ventures shift when pivoting occurs. The term “pivot” implies a disjuncture between the past and the future, as it describes a scenario in which a venture decides to abandon aspects of what it has been doing

(e.g., focusing on a particular product-market segment) and fundamentally redirect its efforts (e.g., by targeting a new customer base). For instance, McDonald and Bremner (2020) argued that entrepreneurial stories around major pivots should signal continuity with what the venture has been doing—and if the story fails to adequately rationalize the shift in a way that downplays the break from the past, key audiences may become confused and penalize the venture. As Beckert (2016, p. 69) asserted:

Stories provide causal links to show how the gap between the present state of the world and the predicted future state will be closed, thus providing plausible reasons why one should expect the outcome the teller has chosen to depict.

Importantly, these pivot stories are iteratively co-constructed with key audiences and their design worlds. However, Schön's reflection-in-action perspective allows for an expanded understanding of pivoting that enables us to better understand the source of ideas for pivoting moves and provides a processual explanation of how a pivot unfolds. For example: What are the actions, materials, and practices that spark the reflections that lead to a pivot? When do these actions occur? Which members of the entrepreneurial team or which stakeholders participate in this process?

One particularly fruitful area for research in understanding pivoting is to explore the connections between the crafting of external legitimacy stories and the ongoing development of the internal products and services being designed by the entrepreneur. Questions to be considered might include: In pivoting, how strong are the connections between these external stories and the core products and services of the entrepreneurial venture—and does the strength of these connections influence the effectiveness of a pivot? What is the performative impact of external stories describing the entrepreneurial venture (D'Adderio et al., 2019)? Specifically, do the

external stories serve as faithful representations of the current and prospective products and services of the entrepreneur? Or do external legitimacy stories articulate new features of products and services that might come into being as a result of the story? Or can the telling of an external entrepreneurial story elicit a so-called counter-performative reaction (e.g., MacKenzie, 2006)? We believe that our framework provides a means to study how ideas originating in the design worlds of angel investors and/or venture capitalists directly and indirectly influence the products, services, and business models of entrepreneurial ventures.

Finally, Schön's notion of experimentation may provide additional insights into pivoting. As mentioned earlier, Schön differentiated between exploratory, "move-testing," and hypothesis-testing experiments. Do different types of experiments lead to different types of pivots? Can pivoting be explained in terms of a series of different types of design experiments? How do entrepreneurs integrate learnings from pivoting maneuvers made by other entrepreneurs or organizations in their environment? How do all of these processes relate to the co-construction of stories and the ultimate attainment or maintenance of legitimacy as an entrepreneurial venture pivots? A design perspective applied to the concept of pivoting can help scholars better understand the relationship between entrepreneurs, their legitimacy stories, their products and services, and the broader sociocultural context in which they are embedded.

### **The Construction of Entrepreneurial Possibilities**

Given the cul-de-sac that has developed in the entrepreneurship literature around the banal debate about whether entrepreneurial opportunities exist or are constructed, new conversations are developing around how entrepreneurial possibilities emerge (Chiles et al., 2021; Grimes and Vogus, 2021; Lounsbury and Glynn, 2019; Sarasvathy, 2021). In line with Lounsbury and Glynn's (2019) emphasis on "possibilities," this emerging discussion goes

beyond the construction of new venture identity stories to focus on how various kinds of entrepreneurs engage in discursive collective action with others to make new pathways conceivable and viable. That is, it involves projective agency by future-oriented change agents (i.e., entrepreneurs) in the form of storytelling about what will, might, or should occur in the future (Emirbayer and Mische, 1998; Mische, 2014, 2009; Rindova and Martins, forthcoming; van Werven et al., 2015). Mische (2014, p. 441) claimed that:

future projections do not just happen inside people's heads, but rather develop via communicative interaction within groups, organizations, and institutional settings. Thus, we need to focus on the effects of talk on future projections—not just in retrospective account-making, but in the jostling, jockeying, listening, learning, and arguing talk that unfolds in relational settings and is located in larger contentious fields.

Stories of future projection “serve as maps for action and provide both motivation and orientation (i.e., moral, emotional, and practical guidance). Such narratives reduce complexity and persuade individuals and groups of the ‘actionability’ (i.e., desirability and feasibility) of particular lines of action” (Mische, 2014, p. 444; see also Ricoeur, 1991).

The design perspective advanced in this paper can help advance this research conversation. For instance, what is the relationship between engaging multiple design worlds and the social imagining of future possibilities? What is the relationship between rumor communities and design worlds (Hannigan et al., 2018; Seidel et al., 2018), and how does this relationship influence the development of new entrepreneurial possibilities? When does engaging with different design worlds lead to conflict, or when do different design worlds provide grist to imagine new possibilities? Or, put differently, are some design worlds more “synergistic” and

others more “conflictual” in how their types and rules shape the construction of future possibilities? How much are futures created through the “artistry” of the design process?

We believe that these dynamics have wide applicability and may be particularly interesting to explore in the context of entrepreneurial emancipation (Rindova et al., 2009; Ruebottom and Toubiana, 2021). For instance, Ruebottom and Toubiana (2021) document how stigmatized entrepreneurs such as those that work in the sex industry may pursue different forms of emancipation—emotional, cognitive or structural. Emotional emancipation is affect-based and might involved the construction of entrepreneurial stories that remove and loosen constraints that generate negative emotions. Cognitive emancipation is identity-based and would involve the telling of entrepreneurial stories that prevent identity devaluation. Finally, structural emancipation, the most challenging to achieve, involves the removal of system-based constraints or creation of new structural arrangements that might enable more desirable market exchanges. All three of these entrepreneurial possibilities involve a mix of individual-level and collective-level action in and around varied design worlds to construct stories that enable a shift in the perceived identity and legitimacy of stigmatized entrepreneurs. A research agenda in this direction moves the study of design and cultural entrepreneurship in a more decisively political direction towards an understanding of how more marginalized people can cultivate entrepreneurial possibilities that are empowering as well as productive.

## **CONCLUSION**

To conclude, we think that a designing perspective on legitimacy has the potential to substantially enhance our understanding of cultural entrepreneurship. While the cultural entrepreneurship literature has established that entrepreneurial stories are crucial to the legitimation and resource acquisition of a new venture, we have a much less detailed understanding of how entrepreneurial stories get constructed and change over time. In this paper,



we have conceptualized this process from a design perspective and have argued for the fruitfulness of integrating the design and cultural entrepreneurship literatures. We believe that ideas related to iterative prototyping, design worlds, types and rules, and the artistry of design can greatly enhance how we understand cultural entrepreneurship processes—especially with regard to the ongoing construction of entrepreneurial stories in their quest for legitimacy.

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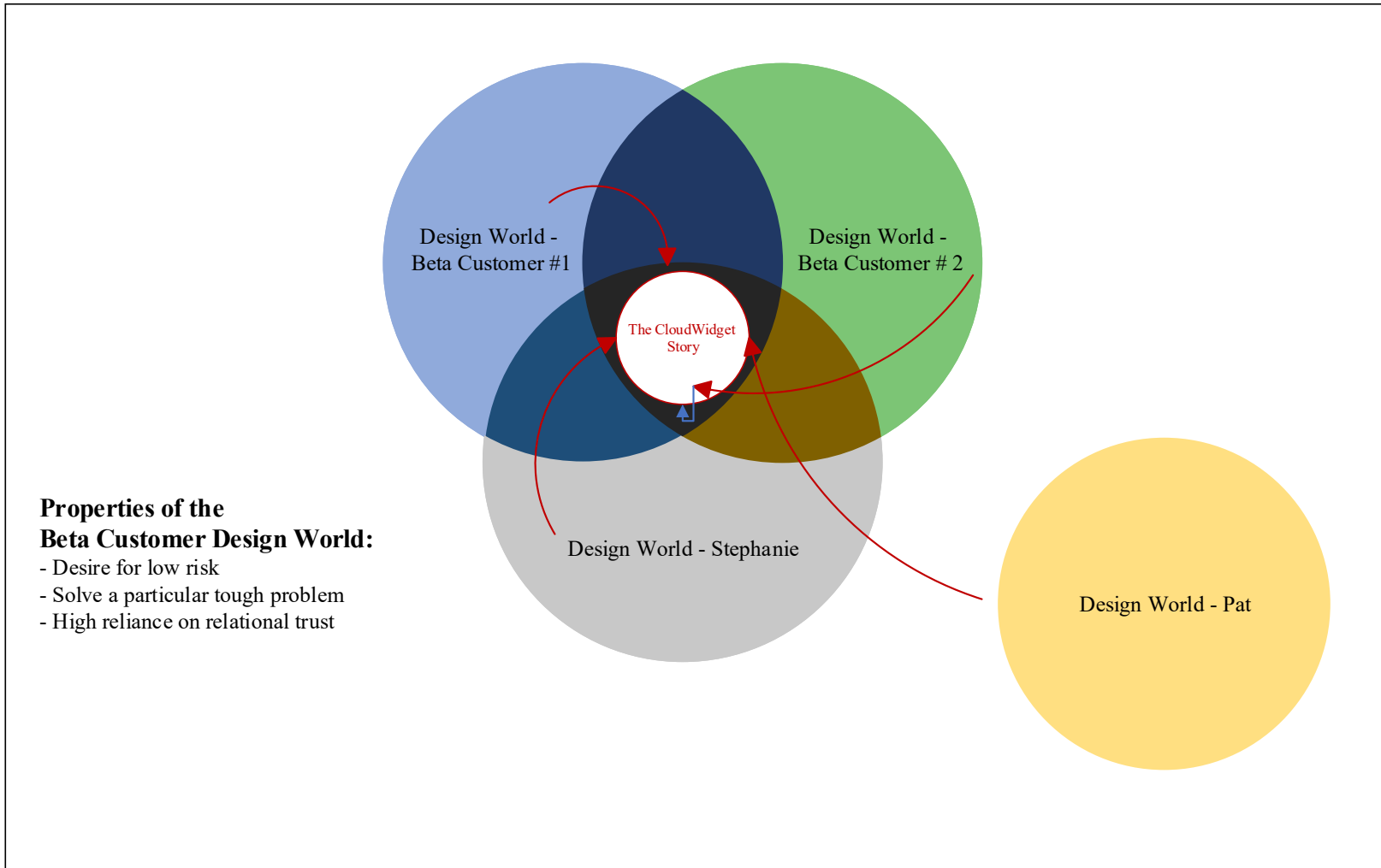
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**Figure 1: The Initial Story — Intersecting Design Worlds**



**Figure 2: The Revised Story — Adding Resourcing Design Worlds**

